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U.S. RESPONSE TO HUNGER AND POVERTY IN CENTRAL AMERICA

HEARING

BEFORE THE

INTERNATIONAL TASK FORCE

OF THE

SELECT COMMITTEE ON HUNGER
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, DECEMBER 6, 1990

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U.S. RESPONSE TO HUNGER AND POVERTY IN CENTRAL AMERICA

THURSDAY, DECEMBER 6, 1990

HOUSE OF REPRESENTATIVES,
INTERNATIONAL TASK FORCE,
SELECT COMMITTEE ON HUNGER,
Washington, DC.

The task force met, pursuant to call, at 1:30 p.m., in room 2359, Rayburn House Office Building, Hon. Byron L. Dorgan [chairman of the task force] presiding.

Members present: Representatives Kostmayer, Penny, and Wheat.

OPENING STATEMENT OF HON. BYRON L. DORGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. DORGAN. We are going to begin the hearing. Other members will be present, Congressman Penny and Kostmayer, and some others have indicated they would be here.

But in the interests of time, I want to begin the hearing. I would like to make a very brief statement to describe what we are doing and why we are doing it today.

This is a hearing on the U.S. response to hunger and poverty in Central America. This task force, the International Task Force of the Select Committee on Hunger, has traveled to Central America, and has tried to evaluate what the needs are and what we are doing in Central America to respond to those needs.

We have had rather dramatic recent political changes in Central America, especially in the country of Nicaragua, and those changes, it seems to me, provide enormous opportunities to make democracy and private enterprise work.

It seems also that the U.S. attention toward Central America has waned recently in light of other events in the world, and we understand that, but it would be a mistake to forget our neighbors. Our neighbors in that region have plenty of problems, and among those problems are the problems of the human condition, the poverty, the attendant hunger, the sickness. They are problems that neighbors would normally be concerned about in trying to help other neighbors.

The past 10 years, that region has been ravaged by civil strife, burdened by foreign debt, and busted by economic collapse. We have sent, as the graph shows, well over $10 billion to that region of the world in a decade. Much of the money has gone into the eco-

nomic support funds and developmental assistance. But economic support funds, of course, are by far the largest.

You will see developmental assistance, military and Public Law 480 rank well below. But the point is, after 10 years over $10 billion being sent to that region, life for the poor folks in that region is not any better. They are not any less ill, they are not any less hungry, and we have very serious problems that remain to be addressed.

This task force is attempting to evaluate how we are now responding to the needs in our neighboring countries to alleviate the worst aspects of hunger and poverty and poor health, and we would like and hope today, with the witnesses that we have, to get some understanding of what currently the condition is in those countries and how we are responding to that condition.

I would like to ask if Mr. Penny has any opening statement?

Mr. Penny.

[The prepared statement of Mr. Dorgan appears at the conclusion of the hearing, see p. 40.]

OPENING STATEMENT OF HON. TIMOTHY J. PENNY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PENNY. Thank you, Mr. Chairman.

First of all, I appreciate your leadership in this area, and for calling today's hearing in particular. I have been pleased to work with you and others on this committee as we developed the Child Survival Assistance Program for Central America, and then the follow-on Central American Survival Assistance Program, which is now reaching the end of its spend-out.

It is also a pleasure to have with us today representatives of organizations that are carrying out these programs in the field, in Honduras, Nicaragua, and El Salvador. As you will recall from our trip to the region last year, observing the work of these PVO's, the victims of the strife of the region was truly a moving experience, and I am convinced that to date, we have done the right thing with regard to those two programs.

But now is the time to think about the future of humanitarian aid in Central America and to ask the important questions of our friends in the PVO community, as well as A.I.D., what they feel we should do to continue along the lines of these successes, and I look forward to their testimony in that regard.

My own feeling is that we must look hard at the development programs that emphasize child survival and immunization, maternal child health, the basic education, and development of small-scale agriculture.

Mr. Chairman, you and I have been leaders in the Congress in fighting for America's family farmers, and I feel that our Government can play more of a role and support small-scale family farmers in Central America and the Caribbean as well.

I have great concerns about the impacts on small-scale, nontraditional agricultural exports from that region when there is so much that needs to be done to respond to the internal economic concerns and the food needs of the people there.

So, I look forward again to testimony of the witnesses today, and know that this will be helpful to us as we try to fashion recommendations to our colleagues in the Congress regarding future aid programs to this important region of the world.

[The prepared statement of Mr. Penny appears at the conclusion of the hearing, see p. 41.]

Mr. DORGAN. Thank you very much.

We are going to hear from the Pan American Development Foundation, World Rehabilitation Fund, the Overseas Development Council, and then from two members of the administration, Frederick Schieck from A.I.D. and Peter Romero from the Department of State, Director of the Office of Central American Affairs.

Let me just, as we begin, say that I have a large number of pictures here that I would be happy to make available to those who might want to see them in the room today. They are the most dramatic and gripping pictures you can imagine, of people who have been treated under the Children's Survival and Assistance Program that we put together, Mr. Penny and myself and others, to try to begin to steer a different direction with American aid in Central America. At a time when we were sending a substantial amount of money in the region in the form of contra aid and other kinds of support, we attempted to graft something that gives some help to those who are victims, especially the children, the innocent victims of the war in Central America.

These pictures describe some of the most wrenching injuries and difficulties that people have faced and some of the surgical achievements that have been accomplished to help make life better for these people.

Congressman Penny and I and a couple of others have seen firsthand the facilities, PADF and others, and some awfully good things are going on down there. The question is, how much are we getting done and how long will it continue, and what else are we doing?

As I introduce a couple of the witnesses, the Pan American Development Foundation, let me just say that the December Money Magazine ranks efficient charitable organizations. The Pan American Development Foundation is rated one of the 10 most efficient charitable organizations, and I think that is something that we saw as well on the ground in Central America.

I would like to begin by recognizing Pat Garrett, consultant with the World Rehabilitation Fund, and Pat is going to play for us a 9-minute video to start this process, and then we are going to hear from the other witnesses before we go to the administration witnesses.

Ms. Garrett, you may proceed.

STATEMENT OF PATRICIA GARRETT, CONSULTANT, WORLD REHABILITATION FUND

Ms. GARRETT. Thank you for the opportunity to address the panel. I have a few words to try to prepare you to look at the video.

I would like to tell you just a few things about the World Rehabilitation Fund. It was founded in 1955 by Howard A. Rusk, M.D., who is widely acknowledged to be the "father" of rehabilitation medicine. During World War II, Dr. Rusk established a program to

treat soldiers who had been injured during the war. He developed a team approach and focused on treating the whole person, addressing physical, emotional, vocational, and social needs. After the war, he adapted this approach to the civilian population and developed a comprehensive, multidisciplinary approach to training practitioners and delivering rehabilitation services. He adapted these same principles to other countries, working to train professionals and develop services, especially in countries affected by war.

The World Rehabilitation Fund is the international extension of the pioneering programs originally developed by Dr. Risk at the institute which currently bears his name, the Rusk Institute of Rehabilitation Medicine at the New York University Medical Center. The World Fund is a nonprofit organization, registered in New York, whose mission is to improve the quality of life for all persons with impairments, especially those in developing nations, by:

Assisting governmental and voluntary agencies to establish, improve, and/or expand rehabilitation services for the disabled;

Providing technical assistance, training, exchange of experts, and information.

Since 1955, the World Rehabilitation Fund has established facilities, trained personnel and/or provided equipment and technical assistance in 153 countries, territories, or commonwealths. It has conducted 39 international or regional brace and limb-making training programs in 10 countries, graduating some 1,300 specialists who have individually fitted over 4 million limbs and braces. The World Fund has created or helped to equip and staff more than 360 artificial limb and brace workshops worldwide. It established a regional training center in prosthetics and orthotics in the Dominican Republic which trains Latin Americans in the manufacture of artificial limbs and braces.

The Fund has trained physicians and other health care practitioners, sponsored in the International Exchange of Experts and Information in Rehabilitation Program, and run specialized training programs in community-based rehabilitation. It helped establish the first graduate-level degree programs in rehabilitation in universities in the Middle East, South America, Southeast Asia, and the Pacific. Currently, the Fund is active in places as diverse as Armenia, Lebanon, India, Korea, and the Dominican Republic.

Through its core staff of specialists and its vast network of experts, the World Rehabilitation Fund offers technical assistance related to: the evaluation of individual, regional or national rehabilitation programs; the operation and management of rehabilitation facilities; the development of curricula and the acquisition of appropriate materials; the design of new facilities and removal of existing architectural barriers; the establishment and implementation of national and international standards for rehabilitation facilities and personnel; and the development and implementation of public policies regarding rehabilitation.

The World Rehabilitation Fund brings considerable international experience to its current efforts in Honduras and Nicaragua. The Fund began to work in Honduras in May 1988, with a grant from the Children's Survival Assistance Program, CSAP. The mandate was to develop a comprehensive rehabilitation center and to deliver services so that each patient achieves the highest physical,

mental, social, educational, and vocational competence possible. A multidisciplinary team provides services at no cost to eligible civilians. A factory which manufactures international-quality artificial limbs, braces, and orthopedic shoes is an integral component of the service delivery program.

The Fund's initial involvement in Honduras was in response to an emergency need identified by the Congress and implemented by A.I.D. It was expected to be short-term. Nevertheless, it became clear that indigenous capacity to deliver rehabilitation services needed to be strengthened. The current grant, May 1990 through April 1992, emphasizes institution building and the Honduranization of the program.

The program of service delivery and institutionalization in Honduras has three principal components: Training, community-based rehabilitation, and manufacturing.

With regard to training, the WRF teaches a course designed to cover basic principles of rehabilitation. Students include WRF/H project staff plus selected individuals from the Honduran rehabilitation community;

Provides university students with opportunities for supervised research and practical experiences. It collaborates with university professors in an effort to increase rehabilitation-relevant research and recruit the most capable students in the field;

Conducts outreach and education programs for citizens in the predominantly rural communities services by the project.

With regard to community-based rehabilitation, the WRF trains local health promoters to identify those who should be screened for rehabilitation services;

Sends multidisciplinary teams to evaluate potential patients;

Admits eligible patients to the WRF Program and refers all others to appropriate programs;

Provides all services that individuals need, including, as appropriate, housing, medicine, social work, counseling, physical therapy, occupational therapy, and prosthetic/orthotic devices;

Works with patients and their families to continue the treatment plan and foster community reintegration;

Coordinates with existing programs to provide vocational rehabilitation;

Evaluates the effectiveness of each service delivery department in terms of meeting the specific goals established for each patient.

In terms of manufacturing devices, the WRF equipped a factory and trained Honduran technicians to manufactu.e international-quality artificial limbs, braces, orthopedic shoes, and other devices, such as canes;

Meets the needs of WRF programs in Honduras and Nicaragua, serves part of the domestic market in Honduras, and explores the potential to market its products throughout Central America.

The new program in Nicaragua began last spring. It is fully operational and has already had to expand the capacity of the residence that patients use when they relocate to receive services at La Trinidad.

In both countries, the World Rehabilitation Fund is committed to the nationalization of the programs. Accordingly, it emphasizes the in-service training of staff to assume all positions within the

emerging national organization. Complementary emphasis is on sustainability, with efforts to generate multiple sources of funding so that, when the current A.I.D. grant ends, services can continue to be provided at no or moderate cost to civilians who have suffered because of the civil conflicts in Central America.

The video which we would like to put on now is a little bit out of date because the emphasis has switched from serving the population resident in refugee camps to serving the civilian population which is resident in the 10 border provinces.

Mr. DORGAN. All right. Why don't you proceed, and we will watch the video. At least a couple of us are familiar with what you are doing, and have visited the facility in Honduras, and you now have a facility in Nicaragua, I understand.

Ms. GARRETT. That is correct.

Mr. DORGAN. Why don't you proceed?

[Video presentation.]

[The prepared statement of Ms. Garrett appears at the conclusion of the hearing, see p. 84.]

Mr. DORGAN. Thank you very much.

Our observation of the World Rehabilitation Fund was a wholly positive one. It is not my purpose to allow a video to promote an organization, and I know that you have other goals and promote them well, but it was my purpose simply to allow you to show the video that explains more fully, I think, to those on the committee and the task force who have not been there, exactly what you have been doing. I think that work has been a very small part of the money that has gone to Central America, but has made a very big difference in the lives of some young children. Thank you very much for bringing that along.

We would like to hear from Mr. Lewis Townsend, the deputy executive director of the Pan American Development Foundation. He is accompanied by Norberto Ambros, who was kind enough to guide us around when we were there. We welcome you, Mr. Townsend.

STATEMENT OF LEWIS TOWNSEND, DEPUTY EXECUTIVE DIRECTOR, PAN AMERICAN DEVELOPMENT FOUNDATION, ACCOMPANIED BY NORBERTO J. AMBROS AND JORGE C. RIOS, M.D.

Mr. TOWNSEND. Thank you very much, Mr. Chairman. It is a pleasure to be here today, and to represent the Pan American Development Foundation.

As you know, we are probably best known for 30 years of work in the region, helping low-income people help themselves. There are, of course, many ways where the active poor in the region can help themselves: Access to credit, small business programs, planting tree seedlings on a hillside to hold the soil, and have fuelwood and charcoal to sell. We have provided tools to vocational training schools.

But, unfortunately, there are many in the hemisphere that don't have this opportunity of breaking out of the poverty cycle. Even in the best of times, there are many poor people in Central America without access to quality medical care, and as civil strife spread to

most Central American countries, even inadequate or geographically distant services became harder and harder to access.

Now, at a time when civil strife seems to be lessening, although I caution there appears to be an increase of disturbances in some countries, and even an increase in strife in at least one or two countries, many Central Americans today are trying to rebuild their lives and overcome the difficulties of being displaced and uprooted, suffering from illness and injury, and in many cases, even the direct consequences of the fighting.

It is these individuals, children, youth and heads of families, that PADF has been providing with special assistance in Honduras for 20 months, and in Nicaragua since May of this year.

Our surgical program, of course, is a direct response to the understanding of the needs by members of this committee, as well as understanding that there was potential for alleviating the worse cases of suffering.

Let me share with you some of the facts about our program in Nicaragua and Honduras. We continue to provide plastic and reconstructive and orthopedic surgery to some 50 new cases a month in each country. This includes not only direct surgical services, but the whole range of medical and support services needed to support the treatment.

In Honduras, over 20 months, we have mounted a program of orthopedic plastic and reconstructive surgery and related services at the Adventist Hospital in the Valle de Angeles, near Tegucigalpa, the facility that you visited last year.

Over 1,000 victims of the conflict now, initially children and youth, and more recently heads of families, have benefited from that facility, and have benefited from surgical care provided by an all-Honduran medical and support team.

Burn victims whose fingers were webbed and arms and legs contracted, will once again be able to use their hands and their limbs. Doctors have corrected arms and legs with severely impeded movements as a result of poor treatment of broken bones and in many cases infected bones due to a lack of medical care or reduction of medical care in the rural areas.

PADF has provided care to children whose twisted legs were caused by birth defects and inadequate attention, surgery now has allowed many of these children to put the weight on their legs and be able to walk and go home and back to school.

These beneficiaries have been given a chance to return home as productive members of society and to work and to earn, support their families, and in some way enjoy life once again.

In Nicaragua in just 7 months, PADF has helped renovate and substantially upgrade the facilities of La Trinidad Hospital, a hospital that was originally built and operated by the Seventh Day Adventists and a facility once again in the hands of the Adventists.

This facility includes a halfway house as well for pre- and post-care. An all-Nicaraguan surgical team and support team has intervened so far in 360 cases with over 400 major surgeries.

The Pan American Development Foundation strongly agrees with the desire of Congress to help Central Americans who have been injured and displaced. We are pleased to implement the efforts of this agency to help develop the worst cases, those beyond

the reach of the countries' inadequate and limited national health care systems.

Why did we become involved in the CSAP and later the CASA programs and turn our attention from long-range programs of employment, credit, training, local institutions, and why did we move away from merely provisions of donated equipment to health care facilities to actually providing medical care?

We did so when we came to realize that really what was needed in the Central American context were our organization and managerial skills, efficient procurement, and a strong sense of mission.

We found that the acute need for upgrading the existing facilities, equipment, returning to high-quality medical standards and work ethics could be guided by us, but that qualified medical and support personnel were available locally, but they needed sound operational systems, equipment, and medicines to practice their art.

We have been able to move swiftly, and so far, 1,400 persons have benefited from this care, and approximately 600 more will benefit over the next 6 months with funding already available.

But let's look ahead to the future. Thousands of Central Americans still remain without access to adequate specialized medical attention from either public or private systems.

PADF, therefore, believes its surgical intervention should continue and possibly be broadened beyond plastic reconstructive and orthopedic surgery to include other specialties. We would propose to continue services focusing on children and youth, heads of families, and breadwinners among the poor.

We also believe that PADF-specialized services should be offered to victims of the Salvadoran civil strife, but we are aware that some in A.I.D. insist that El Salvadoran's medical care facilities can and do meet the needs for specialized medical care.

However, it is our understanding that most Salvadoran health care institutions have never recovered from the 1986 earthquake, even to the inadequate level of health care that existed before the quake. There also exists an opportunity for longer-term contribution to development.

The Foundation, while it is focused on surgical care, believes there is a need to improve the self-sufficiency in specialized medical care, the need for training and medical residents, nurses, operating room and support personnel, within the already upgraded facilities.

Such training should both improve individual skills and maximize now and for the future the effective use of these facilities.

In Nicaragua, where all medical facilities are in poor or deplorable condition, there is another opportunity. The orthopedic and reconstructive surgical program in La Trinidad, and the companion rehabilitation activities, could with some effort be upgraded even further and expanded in a relatively short term to become an orthopedic and plastic reconstructive surgery facility for all of northern Nicaragua, a referral center.

This is a concept that has the support of the minister of health of the country. PADF also believes that as a minimum, its current ongoing efforts probably should be continued for at least another 12

months beyond the existing available funding to allow us to reach the yet untreated cases.

Insofar as our own plans for the future, we are unfortunately short of unrestricted resources that we can apply to this effort. To date, the costs under both CSAP and CASA financed by A.I.D. has been about $2.6 million, which works out to something under $2,000 per case treated. This $2,000 has covered a wide range of activities, including the identification of the beneficiaries, with staff traveling to the most remote corners of the country to find the beneficiaries; transportation of the beneficiaries to the hospital, the room and board, companions accompanying those under 12 years of age.

It also includes the medicines and the surgical treatment, psychological and social counseling.

In my opinion, it is both fitting and proper for the U.S. Government and the U.S. people to continue to support the peace process, and participate in the healing process by continuing to focus not only on the longer term interests of A.I.D.'s mandate and primary health care and health care systems, but on continuing to help those who have been the most affected.

It is also my view that nonprofit development organizations can and should continue a unique and valuable role in planning and delivery of this assistance. We in the Pan American Development Foundation would be most pleased to continue a significant role in this process, either in the specialized surgical care, or as we move on into other types of development.

Thank you.

[The prepared statement of Mr. Townsend appears at the conclusion of the hearing, see p. 43.]

Mr. DORGAN. Thank you very much.

I am also told Mr. Jorge Rios is accompanying you today, and that you have just returned from Nicaragua. Is that correct?

Dr. RIOS. Yes.

Mr. DORGAN. Next, we will hear from Sheldon Annis. Mr. Annis, welcome.

STATEMENT OF SHELDON ANNIS, SENIOR RESEARCH ASSOCIATE, OVERSEAS DEVELOPMENT COUNCIL AND ASSOCIATE PROFESSOR, BOSTON UNIVERSITY

Mr. ANNIS. Thank you, Mr. Chairman.

In my remarks today, I will not belabor what I believe you already know to be the larger problem: That the U.S. aid program is not very effective in dealing with absolute poverty because, fundamentally, it is driven by the political considerations of U.S. foreign policy. These overlap only coincidentally with the goal of poverty alleviation.

From the perspective that we are discussing today, overall hunger and malnutrition, it makes no programmatic sense that in the last 4 years, for tiny Central American countries, with less than 5 percent of the region's population, should have received 70 percent of U.S. bilateral aid to the Western Hemisphere.

After all, on just the streets of Brazil, there are nearly as many homeless, abused, utterly impoverished street children as there is

total population in Nicaragua and Panama. On the other hand, you would assume that if the U.S. aid program is anywhere making a dent in poverty and malnutrition, it ought to be in Central America.

Sadly, this is not the case. Virtually all studies have reaffirmed that, with the possible exception of Costa Rica, poverty is egregiously worsening in absolute and relative terms in Central America. Especially in the rural areas, suffering is epidemic. And even in Costa Rica, where absolute poverty is declining, income inequality between the rich and poor may be increasing.

You do not need to rely on studies or on experts to know that this is the case or to understand what it means.

A few months ago, I was driving down the main highway in southern Honduras. Every few kilometers, traffic would be stalled for what in the distance looks to be road construction crews. As you approach, the workers raise their hands to wave—well, not actually wave, but to beg, for these workers are raggedly gangs of village children, clusters of two here, three there, maybe as many as 20 over a kilometer stretch of road.

Some of these children are as young as 4 years old; few are older than 10. They are trying to earn money by begging motorists for tips for filling in potholes with roadside gravel and sod. They cannot be earning much. If you wish to give a few coins, you will find it difficult to fish simultaneously in your pocket, swerve around potholes, and dodge the children who start running as you slow down. The trick is not to stop, lest you be overwhelmed. The next gang looks up and is also starting to run toward you.

These children live in homes with dirt floors rather than concrete, cooking fires rather than stoves, and latrines rather than toilets. Much of their diet consists of salted tortillas and store-bought sweets. There is little food stored in the house and no cash savings.

If you talk to the parents of these and similar children around Central America, several themes emerge. First, these people are not waiting Godot-like for development to happen. Rather, they are what is left over after development has occurred. Modern agriculture and the Green Revolution arrived years ago.

In every direction, you can see official development. Cognoscenti such as myself roll down the highways of Honduras muttering, "Um-hum, let's see here: Peace Corps rabbits; CARE latrines; World Neighbors terraces; EEC farm implements; A.I.D. schools; IDB irrigation." Some would say despite development; and some would say because of development; but one way or another, these people remain permanently, deeply and structurally poor.

Second, these people not only possess less land than did their parents' generation, they are far less rooted to place. Indeed, to ask a campesino in southern Honduras, "Where are you from?" is as natural a question as it is in, say, transient Washington.

At least 2 million people have been displaced within Central America by war, fear of political violence, endemic poverty, and depletion of physical resources. This unsettled one-tenth of the population is, of course, disproportionately represented among the very poorest of the rural poor.

Third, these people are not only less bound to place, they are less bound within families and stable social institutions. In particular,

there has been enormous increase in the proportion of the absolute poor who are female; what many refer to as the feminization of poverty.

In countries such as Guatemala and El Salvador, this perverse feminization can be attributed directly to the killing and fleeing of men; in other contexts, it has more to do with the splitting of poor families over work-related migration. One way or another, the countryside is populated by family fragments where one used to encounter Nicaragua and network-like extended families.

Fourth, these people are increasingly connected to the outside world through the communications revolution and the processes of democratization. I was taught backstrap weaving in a Mayan village 15 years ago, where I then lived; last year, I was taught the lambada. As the webs of family and traditional village ties weaken, there is correspondingly greater importance to the new electronic webs and to supravillage political organization that is everywhere evolving.

Yet, despite this churning in information and organization, the rural population remains powerless and disengaged as ever.

In a nutshell, these people are modern and developed, but poorer than ever. Unfortunately, it turns out, modernization and development can have very little to do with reduction in poverty.

My fellow witnesses today might well argue that the overall worsening of conditions in Central America is primarily a result of war, debt, terms of trade, and a legacy of oppression. It cannot be laid to the failure of aid.

Of course, it is true that in the absence of peace and economic policies that promote growth, no amount of aid can offset an increase in absolute poverty. But it is also fair to ask how hard and in what direction our politically oriented aid program is tipping the larger trends.

Here is where we inevitably start talking about trade-offs, between growth and equity, between deficit reduction and social programs, between export agriculture and subsistence agriculture.

For the past decade, these supposedly painful tradeoffs have generally been made at the expense of the poor. So, it is not surprising that the poor are now poorer than ever.

Although the evidence is not fully in, I suspect that we will see this pattern strongly illustrated as a result of A.I.D.'s programmatic and policy emphasis on nontraditional agricultural exports, which, as you know, has been the centerpiece of A.I.D.'s overall development strategy for the region.

It is certainly true that Costa Rica, and to a lesser extent Guatemala, have successfully expanded nontraditional agricultural exports. But the opportunities and social benefits have hardly occurred equally across the board.

Why? Despite small-farmer rhetoric that has glossed A.I.D. documents since the mid-1980's, nontraditional agricultural export generally excludes all but large and some medium-sized producers.

First, the crops are capital-intensive; they require expensive agrochemical inputs, technical sophistication, and prime land. Second, they are highly dependent on foreign marketing connections, reliable transportation, and often inaccessible storage and agroprocessing facilities. Third, though they may yield far better

returns to investment than do corn and beans, they are risky beyond the tolerance level of most poor households.

Where nontraditionals have succeeded, the benefits for very poor people have generally been restricted to opportunities for wage income. As it happens, the Nicaraguan refugees in Costa Rica and the widows and orphans of midwestern Guatemala have been willing to work for very low wages indeed. So, in that respect, the system has worked.

But, on the other hand, the very poor have also paid costs: Rising prices for land that shoves them aside and increases their rootlessness, a corresponding de-emphasis of subsistence and small-farm agriculture, agrochemical contamination, and increased vulnerability to the exigencies of external markets.

In other areas, I believe the poverty alleviation record of A.I.D.'s Central American programs is less ambiguous.

Rural education, for example, is a field in which significant progress has been made.

A.I.D. can be genuinely proud of its contribution to rural school construction, teacher training, curriculum development, radio education, bilingual education, and the strengthening of ministries of education.

Similarly, in health, A.I.D. can be more than proud of its record in support of primary health care in the 1970's and maternal child health care in the 1980's.

Having worked myself for several years on health programs in rural Guatemala, I can confidently say, yes, A.I.D. support has made a constructive difference.

On the other hand, looking back over the past decade, I fear that much overall progress in preventative health and maternal-child health care was undercut by A.I.D.'s relative erosion of support for family planning and reproductive choice among rural women.

This is all the more crucial because of the feminization of poverty that I mentioned earlier.

I have been asked to respond to the question: Should and could A.I.D. be more poverty-oriented in the coming decade?

Please forgive a note of cynicism in pointing out that for 25 years now, you Members of Congress have been listening to testimony and then issuing directives on the need to make A.I.D. more poverty oriented.

I doubt that anyone here could keep track of the number of times that A.I.D. has already been reformed in this regard.

What is wrong?

At the outset of this testimony, I laid part of the blame to U.S. politics, that the drive behind A.I.D. is not poverty alleviation in the first place.

But beyond that, there are also Central America politics to consider.

Even though your instructions to A.I.D. may be pro-poor in their delivery, politics in Central America remain obdurately pro-rich.

Thus, what really counts is not the will of the U.S. Congress, but the capacity of the poor within their own political systems to raise issues and make effective claims on the allocation of resources.

Democracy is one solution, but even that is a good news/bad news scenario.

The good news is that political democracy has arrived.

The bad news is that the poor are still powerless.

If the political gearing of Central America is fundamentally anti-poor, does this mean that A.I.D. can't be made more poverty oriented?

Not necessarily, but the pro-rich bias of Central American politics certainly presents a challenge.

In addressing this challenge, some trends of the last decade potentially work in our favor—the information revolution, democracy as an idea, and the densification of grass roots organizations.

In thinking about how to take advantage of these trends in order to help the very poorest, I believe that A.I.D. would do well to study the evolution of thinking in institutions such as the Ford Foundation, which has been unusually creative in trying to support pro-poor political processes.

In many of its international programs, Ford has used its funds to help frame issues, create new forum for debate, train the poor to participate in politics, legitimize their voice, and connect them to decision makers.

In many instances, the Foundation has moved beyond the relatively straightforward matter of supporting nongovernmental organizations to the more complex matter of enhancing their engagement with public sectors.

Rather than think about poverty alleviation in terms of sectoral labels, for example, health and educations programs are OK, but structural adjustment programs aren't, we should learn to think in terms of deals to be cut.

In any issue of public policy, we must first ask, How are the poor positioned to represent their own interests in regard to critical decisions that must be made?

To take a particularly difficult example: taxation.

As you all know, taxation is a joke in most of Central America. You Members of Congress have saved the Central American elite a fortune by allowing A.I.D. to serve for so many years as the Central American Department of Health, Education, and Human Services.

But that era is about over—done in by the debt crisis and, now, the cooling of U.S. political interest.

One way or another, Central American governments will have to mobilize revenues internally in order to meet the needs of their own populations.

The wealthy and the middle class will not only have to cut back on subsidies drawn from the public sector, but they may actually have to shoulder significant tax burdens.

The inevitable debate over the equity, tradeoffs, and relative responsibility for taxation has not arrived. But it will—and the outcome will have enormous implications for poor people.

How to tax land? How to tax export? How to tax agricultural production? What should be earmarked? How to enforce collection?

I draw your attention to this example in order to illustrate the kinds of debates that have to be waged and the social deals that have to be cut in the next few years.

We cannot expect A.I.D.'s poverty program to have much effect if the poor are systematically shut out from decision making on critical questions such as:

Should the state use various taxation, colonization, or land-titling schemes in order to affect the distribution of land and protect the environment?

Should agricultural policies emphasize incentives for export, or new incentives for subsistence? What to do about basic grains?

Should reforestation efforts be geared toward commercial wood production, toward stopping commercial wood production, toward promoting biological diversity, or toward promoting agriculture?

Should the undeveloped land be set aside for parks, or should it be opened up for agriculture? And if agriculture, by whom?

Should money for education go toward primary education in rural schools, or toward computer programs in universities?

Should deregulated telecommunications sectors strive for cheap phone service to connect villages, or cheap international service to conduct modern commerce?

These are not questions to which there are right or wrong answers.

Moreover, I am emphatically not saying that A.I.D. has the morality, wisdom, political clout to answer such questions for Central Americans.

But without the slightest doubt, I can tell you that the poor will be underrepresented at the table as these decisions are made; and A.I.D. will not be overstepping its bounds if it weighs in forcefully on the side of the weakest players.

In summary, yes, there is much that A.I.D. can and should do to address the worst aspects of poverty in Central America.

I recommend:

First, A.I.D. should continue to build its antipoverty programs in key areas where it is strong, experienced, and knows that significant gains can be made—especially in rural education, health, the reproductive rights of women, and the extension of rural infrastructure.

Second, A.I.D. should continue its search for growth-oriented development strategies—but growth that begins at the bottom of societies, not at the top.

Central America needs a new kind of growth that is driven by small increments to the purchasing power of the poor, not large increments to the purchasing power of the rich.

Third, A.I.D. should systematically address the growing instability and disarticulation of rural life.

War, fear of political violence, ecological destruction, and endemic poverty have shattered the social and economic fabric of rural life.

Granted, an overall regional political settlement is the first and most necessary step, but political, economic, and ecological peace must also be established at local levels.

That means, first, concentrating upon the particular needs of refugees, returnees, internally displaced persons, broken communities and family fragments; and at the same time, addressing larger rural issues of unemployment, land tenure, and environmental security.

Finally, we need to support democracy for the poor as well as for the rich.

Beyond elections, we need to build the capacity of poor people to assert themselves politically and defend their interests.

A.I.D. needs to help strengthen the webs of institutions and pro-poor organizations that are emerging to represent the poor and give them voice within new democracies.

Thank you.

[The prepared statement of Mr. Annis appears at the conclusion of the hearing, see p. 47.]

Mr. DORGAN. Mr. Annis, thank you very much for some very thoughtful testimony. I appreciate the testimony that all of you have offered.

Let me call on Mr. Penny for some questions.

Mr. PENNY. I have seen some statistics indicating that in the last year, the health situation in Nicaragua has deteriorated, outbreak of measles, increasing the number of deaths within the country due to that disease.

Infant mortality statistic seem to be climbing, and there are deficiencies in some of the health care facilities within the nation.

Can you help shed some light on whether these statistics are accurate based on your knowledge of the circumstances in Nicaragua?

If so, what are the underlying reasons that have led to this decline in health delivery and this increase in various diseases and other health problems?

Mr. DORGAN. Mr. Rios, would you like to answer that?

Dr. RIOS. My first travel to Nicaragua was in 1988 as a member of the board of the Pan American Development Foundation.

I have been going there every 3 months or so to visit a program in Honduras and Nicaragua.

When I returned to Nicaragua in May of this year after the change of government, I have been to the new—the new health minister is a friend of mine and I am the physician to his children.

The situation is truly appalling. There was no antibiotics in any hospital. None of the equipment is working.

The first problem they had was a threat in the measles epidemic. Infant mortality has gone up dramatically.

There was a real risk of—I just got back from Nicaragua the day before yesterday morning. I think things are beginning to change, but the health system is still in shambles.

They don't have any resources to buy new equipment. A lot of the problem is also they got donated equipment from all over the world.

The hospital we are operating at has a Bulgarian x-ray machine that is working now, but if it breaks down, I don't know who is going to fix it. There are no parts.

It is a Bulgarian x-ray machine.

Actually, Bulgarians make pretty good medical equipment, so that one is probably fixable.

If you go to any hospital—and the ones that I have seen, there is nothing there. I visited many hospitals in Central America since I have been doing this for the Pan American Development Foundation.

I usually carry a little camera with me and I ask permission to take pictures.

I visited an emergency room in a hospital near Managua. It was probably the most medieval site I have seen, to the point that I was too embarrassed to even ask permission to take a picture.

In the same room, there was a teenage asthmatic that could hardly breath.

There was a dead old man on a stretcher uncovered, and a woman having an abortion bleeding in the same room.

I don't think that we can describe accurately in words how bad the health situation in Nicaragua is right now.

I think that, you know, we can talk about just going into the primary care sector and trying to improve clinics, but people there are currently affected by disease.

They need surgery, they need treatment.

Somebody has to do something with the people that are affected by disease right now, not only to have it, but there is also a social cost and an economic cost to everybody.

Your question is a good one, and I think the problem is real.

I don't know if I answered what you wanted to hear.

Mr. PENNY. I was also curious to know about the relative level of health in the society.

If it is in decline, what were the causes, in your judgment, that led to the—obviously there weren't immunizations going on.

We have got a measles outbreak. Why didn't the immunizations occur?

On whose watch?

When did that program go into decline?

Why wasn't the funding and the staffing there to do that?

Dr. RIOS. I can give you my personal opinion. It is not based on hard data.

When I went to Nicaragua after the transition, the ministry was new and he was in acute fear that his new government was going to be blamed for the measles epidemic when, in fact, it did not occur on his watch.

If it happened 3 months after, nobody would say this came from before. It now is in your government. You take the credit, you get the blame.

Why the problem?

I think there are no resources. I don't think there are many resources for the well-to-do either by the way.

If you get sick in Nicaragua, the best thing you can do is get on a plane and go to Miami.

It is not unique just to the poor. It is for everyone in the country, probably with the exception of a few military hospitals which I never got a chance to visit.

Mr. PENNY. You mentioned about reallocation of resources. Can we realistically expect that to happen? Does it require the political empowerment of the poor population?

That is going to take time. If A.I.D. goes in as a substitute for local resources devoted to these same needs, I can see your point that is not the right long-term policy, but temporarily there may be no other option.

How would you suggest that we deal with that transition to make sure that these needs are dealt more effectively by local resources instead of an ongoing reliance on A.I.D?

Mr. ANNIS. As I said, ultimately that depends on not the will of the U.S. Congress, obviously. It really doesn't depend on the will of Central America politicians.

It depends on political strength of poor people within Central America to make effective demands.

Mr. PENNY. You mentioned A.I.D. policies that could strengthen their voice.

I am just curious.

Mr. ANNIS. I think the—I have also been back from Nicaragua and Honduras.

Things are really appalling. One of the few things that is not appalling is the increasing level of organization, certain kinds of political organization taking place.

The densification of grass roots organization and the fact that people are now linked to the outside world through the media.

To some extent with new democratization, that makes the poor more formidable than they used to be.

Again, the poor are still powerless, but there is much more potential to effect systems because of the power of the media, because of the density of organizations that is growing, because of political democratization.

We can assume in that one respect that there is greater opportunity.

A.I.D. has to have its own signals clear, what side it is on and whether it is supporting poor people.

It is giving them voice. It is doing research that generates statistics and data and categories that are pertinent to poverty issues.

It creates forum for negotiation and so forth.

I think A.I.D. can do a lot, but again, I think A.I.D. can't substitute for Central American political systems representing poor peoples' interests.

Mr. PENNY. In Central American land reform also is central to, or at least agricultural reform seems central to the economic concerns and the rest.

Here again, whether I direct that to you or if others want to step in, that has to be a political decision within the country.

Yet, it seems to me there is some opportunity to use U.S. assistance to urge movement in that direction.

Mr. ANNIS. In Central America, that is among the most bitter and controversial issue.

Of course, there has been a lot of experience in Central America absent land reform.

It is something that the United States can't mandate.

I think there is a lot the United States can do to push things in the right direction.

When we talk about land reform, we think of the government seizing land and taking it away from the rich, but there are softer ways to do it.

Again, the structure of a taxation system will affect indirectly systems of land tenure.

People have to think there, what are the implications of a particular tax system in regard to how it affects incentives, how states should think through their policies, and so forth.

Those decisions wouldn't be made in pro-poor ways until the poor are part of that decision making, part of that process.

Land reform is an extraordinarily difficult issue.

Mr. DORGAN. Mr. Kostmayer.

Mr. KOSTMAYER. Thank you very much.

I want to ask a question which I don't think any of you touched on directly. You may or may not be able to respond to it; that is the issue of family planning and the importance or lack thereof in the region.

Mr. ANNIS. I have very strong feelings on the subject.

Mr. KOSTMAYER. You touched on everything.

Mr. ANNIS. A.I.D. really was remarkably focused and effective, I think, in family planning in the seventies and eighties.

There is a retrenchment in its support.

Mr. KOSTMAYER. Until when?

Mr. ANNIS. Until essentially the Reagan administration.

I think there is great concern. That issue was intensely publicized.

Mr. KOSTMAYER. By?

Mr. ANNIS. In terms of the instructions that A.I.D. received through the administration, in terms of retrenching from family planning as an explicit policy.

The abortion issue touched——

Mr. KOSTMAYER. Are you saying the Reagan administration caved in and backed off family planning?

Mr. ANNIS. The Bush administration, my impression from the field, has been much less ideological on the issue and has allowed the technicians within A.I.D. to reassert a lot of the vigorousness of the family planning.

Mr. KOSTMAYER. Have they made fundamental changes in terms of funding groups and changing their basic attitudes or has this been minor, cosmetic tinkering?

Mr. ANNIS. My impression is that there has been a significant reassertion of support for those kinds of organizations.

I think I would rather not say whether it is cosmetic tinkering.

Mr. KOSTMAYER. Are you able to say how that has manifested itself?

Mr. ANNIS. What I know from talking to A.I.D. technicians and people in the field, it is almost as if, the word on the street is that there is more, that there is more support for family planning programs.

Mr. KOSTMAYER. How important is this, this whole panoply of issues and concerns and issues?

How important is this particular——

Mr. ANNIS. Are you asking how important in the abstract or how important is it as part of A.I.D?

Mr. KOSTMAYER. As part of the approach to the region in solving the problems, you have been talking about?

Mr. ANNIS. Family planning and reproductive choice by women is very important, particularly among rural women, and particularly because of the land issue.

Nonreform is a nonissue at a certain point where there is so many people and not enough land.

Guatemala is reaching the point where it doesn't matter how you divide up the land because the capacity of land can't meet the number of people that are there.

I think it is terribly important and I think it should be a strong program within A.I.D.

Mr. KOSTMAYER. But is not now?

Mr. ANNIS. I think it could be stronger. What has happened in the last couple of years I would rather not make that——

Mr. KOSTMAYER. I understand.

Mr. PENNY [presiding]. How do we delivery family planning programs in the Central American nations presently? Which organization? Is it A.I.D? Is it some contract group?

Mr. ANNIS. There are affiliates.

In Guatemala, an associate of International Planned Parenthood tends to emphasize various programs, contraceptive distribution, education, community-based distribution of condoms, those sorts of things.

We tend to, we support organizations. What I don't know is to what—and other witnesses can answer this better than I—is to what extent our past support of family planning within ministries of health has been reestablished?

In the seventies, for example, family planning support through ministries of health was very explicit and very strong.

Whether that support has been replaced entirely by private initiatives, the trend was to replace it with private initiatives.

Whether, in fact, ministries are now incorporating that concern would be an important question.

Mr. KOSTMAYER. Would anyone else like to respond to that?

Dr. RIOS. The first thing you need to do is a major cultural modification.

Mr. KOSTMAYER. In this country or there?

Dr. RIOS. There.

A family in Nicaragua, the average family is seven people. That is normal and that is accepted. That is the way it is.

I think that we can talk about family planning programs. It is going to take a long time to get a result.

Mr. KOSTMAYER. Can't talk about them if you don't have an administration not willing to support them, if you have an administration not willing to provide the funds, if you have an administration who has politicized this, in your words, and reduced the funding substantially.

Dr. RIOS. Whatever funds you have, the local bureaucracy is probably going to do not very good work with it.

If you want to do good public modification, you need to go outside the Government.

My experience, what I have seen in most of those bureaucracies, they will ruin the best intentions and best funded programs.

Mr. KOSTMAYER. Many of these programs are funded to private organizations.

I agree with you. They have been cut off by this administration and by its predecessor administration. That is the biggest part of the problem.

The part you speak of, you are right; but, that is a problem here. It is not all their fault. It is our fault, too.

Thank you, Mr. Chairman.

Mr. DORGAN [presiding]. Mr. Wheat.

Mr. WHEAT. Thank you, Mr. Chairman.

I just want to ask a couple of questions generally about the concept of the poor making a greater claim on resources themselves and the need for A.I.D. to provide some assistance in that process.

I am not clear how on one hand we complain about the politicization of A.I.D. and how we suggest on the other that A.I.D. should become more deeply involved in urging the local population to become more political or providing a structure for them to become more political.

Mr. ANNIS. I don't think we can have it both ways. I don't think—if our concern is poverty, I simply don't think it is realistic to expect serious alleviation of poverty until the poor are a political force within their own system.

If it depends on the will of Congress or the will of Central American politics, it isn't and can't happen.

It may be that A.I.D. is not necessarily the best instrument within which to entrust politicization of the Central American force.

There are other institutions working on that.

Many private foundations, I think independent political forces are happening which have the effect in at least increasing debate, opening up dialog, creating forum for debate, creating legitimacy for positions poor people represent.

At a minimum, they can respect that process that is taking place and contribute to the process.

It is not A.I.D.'s job to sort of think through the issues and make decisions on what the policy for poor people will be, but to trust democracy and trust the process.

Mr. WHEAT. If this were the most favorable political process one could imagine for the Central American nations, and the poor were making effective claims, how quickly could government respond to the oppressive policy in Central American?

Could the situation dramatically improve?

Mr. ANNIS. There is all the technical incapacities of government to consider.

Programs under the best of circumstances take time.

The other questions of education and so forth are there. I still think it is—no, I don't think there would be dramatic overnight changes, but I think that kind of political engagement by the poor is a necessary first condition for poverty ultimately being addressed within Central America over the long run.

Mr. WHEAT. You talked about a process—please?

Ms. GARRETT. I wonder if I can get in here briefly.

It seems to me that the health sector provides a very useful forum because it provides opportunities for the poor to become involved and to begin to take some control over the conditions which affect their own lives.

One of the things that I have been very impressed with in terms of this community-based rehabilitation is the degree to which people who are very ordinary poor people, peasants, have over the

years been involved as volunteers in their own communities. Nevertheless, over the course of time, people with very limited educations have come to have rather sophisticated notions of certain things with regard to health.

They have an organizing capacity which I find rather remarkable. In terms of an A.I.D. strategy that has the effect of mobilizing poor people, it seems to me there are many more possibilities through the health sector as opposed to say the agricultural sector.

I have done a lot of work in agriculture, and I have not seen any kind of a program, either by a Latin American Government or any A.I.D. office that I have had any contact with that has the kind of positive outreach toward really poor people as I have seen in the health sector.

Mr. WHEAT. Aren't there particular examples that anyone could point to of what you call the densification or the intensification of the community groups, the organizing groups that are particularly effective in Central America?

Ms. GARRETT. I have seen it in health and I have seen it as a consequence of the work of primarily private voluntary organizations in groups like UNICEF.

Mr. ANNIS. I think this is a worldwide phenomenon. I think we have all been surprised at the power of grass roots movements all over the world.

I think civil society itself is becoming more complex in Central America and lots of places in the world.

There are all kinds of organizations that are emerging, economic organizations, health organizations.

As people become more connected to the political process, the media, there is more point for being organized.

I think all over Central America, just as all over Eastern Europe and lots of places, people are seeing opportunities to organize.

There is a rationale for it. It makes sense, particularly within a democratic system.

I think there is general social change taking place in the world, particularly Central America.

The IF has lots of experience in dealing with these specific organizations in Central America and gives examples of it.

Mr. TOWNSEND. I think if one can risk generalization, the important thing is to get assistance, aid of all kinds, whether it is health, agriculture, family planning, out to the people.

While A.I.D., I think, over the years, tried to—I think there is still much that can be done in most Central American countries of getting away from Government projects and get the assistance out to the working level.

When you look at the statistics, for example, of A.I.D. funding in El Salvador, the money is piling up partially because it is not getting out to where it can be adequately used and directly reach the people.

In a country like Nicaragua today, the next level of assistance, the next round of assistance has to go beyond the current support for one side or the other side of what has been the political situation up until today.

The skewing that this aid is for one side, or the other.

We need to move away from these emergency programs, treat everyone in the country as citizens of that country rather than one group or another and get the assistance out to the field.

There were institutions, for example, in Nicaragua before that need support.

Nicaragua is a country, rightfully or wrongly, that has gone through land reform and has done much in the creation of local institutions.

Those institutions need to be supported by us today.

Mr. WHEAT. I appreciate what you have all said in regard to the need to balance political and power strategy with the need to provide subsistence kinds of assistance.

I am sure you can see the long-range difficulty Congress faces to try to provide some kind of strategy for A.I.D. and other programs that can provide long-term kinds of assistance that aren't affected by the political whims in the United States so our policy is not continually changing and we are not providing the assistance that can help build capacity within the Central American nations to be able to provide for themselves over the long run.

Mr. ANNIS. There has to be capacity within the Central American governments and ministries to provide those services.

Continuing dependence on private voluntary organizations has its down side.

I think you are absolutely right bringing up that issue.

Mr. WHEAT. Thank you.

Thank you, Mr. Chairman.

Mr. DORGAN. Mr. Penny.

Mr. PENNY. Could I get you to react to the blue line on that chart, economic support funds?

Just tell me your impression of economic support funds and why we can spend that much money and so so little good?

Mr. ANNIS. As I said, when you ask that question, you start talking about tradeoffs.

That represents what some people would say is a tradeoff.

Mr. PENNY. That is largely money going to the government?

Mr. ANNIS. Government balance of payment; support.

Mr. PENNY. That is one of the critical deficiencies here, is that by putting it there, we are not necessarily putting it——

Mr. ANNIS. I think——

Mr. PENNY [continuing]. Into the areas where there is the human need?

Mr. ANNIS. Right.

We are not putting it into the areas where there is human need.

If we decide that the point is poverty, then the lines look a lot different.

Mr. PENNY. How tricky is it for us to get around the political aspect of giving money through the government agencies and just saying we are going to give money, yes, but we are taking it right out into the countryside?

Mr. ANNIS. It is the Federal dilemma.

If you don't address the question—the question is that Central American governments don't have the capacity to deliver good services and poor groups within those countries don't have the capacity politically to demand that they do.

This is just genuinely a difficult question.

Mr. PENNY. Is it fair to say that among the programs that are supported in that ESF category are programs that disproportionately benefit the wealthy?

Mr. ANNIS. I would say the wealthy——

Mr. PENNY [continuing]. And other systems that accrue to the benefit of those that already have wealth within the society?

Mr. ANNIS. A good-faith argument, those are necessary to start up economic growth.

Mr. PENNY. There is a trick to that. We make those same arguments domestically here.

We have also argued by trickle-down and percolate-up economics.

Mr. KOSTMAYER. The majority of this is for balance of payment. It doesn't go for programs to help people.

The other thing you can say is that a great deal of the goods for those purposes for which the Government wants it to go and where they think it should go, if it is not always where it should go.

Mr. DORGAN. If the money is fundable and used for balance of payments, it replaces money that could have been used for balance of payment and represents a priority of the government in power.

It gets back to what Mr. Annis says. It reflects pretty much the priorities of those in the country that decide what is important to them.

Let me ask a final question before we hear from the administration witnesses.

Mr. Townsend, you discussed the Child Survival and Assistance Program as a short-term program.

That is what it has been.

You recommended a longer-term series of activities in your testimony.

Some of us think the evidence suggests that what we have done is really a pretty substantial breath of fresh air in trying to bring some hope to some people who are hopeless and help to people who are helpless.

Many of us feel we would like to take programs that are working and continue them and continue to allow them to work, and weed out those that aren't and move resources in different directions.

Let me bring the question here back to a more basic issue, especially in Nicaragua.

Any recent trips that you have taken to the region with respect to Nicaragua?

I am interested especially in feeding programs for the poor, especially for children.

I recall a year ago now, Mr. Penny and I and a couple of others were at a Partners for America facility where they were telling us they simply didn't have enough powdered milk to go around. There were mothers lined up in long lines with children who were sick and malnourished and wanted to get some powdered milk. There simply weren't enough resources and food available.

What is the condition in Nicaragua today with respect to those children?

Are things better, worse, the same?

Can any of you give me an impression of that?

Mr. TOWNSEND. Let me touch a bit on a broader issue.

What I was trying to suggest is that these emergency, deal with the worst-case scenario programs appear to be fairly short-lived and rapidly coming to an end.

These programs, of course, were placed in A.I.D. as a stepchild and have been operated there as a stepchild, and I believe are still viewed as stepchildren.

I am suggesting some of this emergency-type activity may need to go on for months or another year or two to make the transition.

I certainly would agree that the long-range importance is on building institutions, training people and local capability, but I don't think we can move quite as fast as we are trying to move at this point in time.

I think there are severe hunger needs. There are schooling and education needs.

There are political and medical needs out there. I think there can be a closer link between the two needs.

I tried to suggest that we can move toward building health care facilities for the longer-range good by building on to what we are doing on an emergency, short-term, critical basis.

I would somehow like to see a blending of these two initiatives and A.I.D. to take a view that the short-term emergency programs can fit in with the overall A.I.D. strategy.

Mr. DORGAN. All right.

Can you respond to the question?

Dr. RIOS. In more specifics to malnutrition, if you look at many of the growing worsening epidemics, and Nicaragua has a worsening epidemic of tuberculosis, I think you could link very rationally the growth in tuberculosis to malnutrition.

From a more personal, practical standpoint, there is no way you could do plastic surgery on a child.

You have to feed them for a month or so before you try to operate.

It is almost a daily occurrence.

Mr. Ambros can give you more specifics.

Mr. AMBROS. Let me perhaps give you a profile of our beneficiaries in Nicaragua.

He or she—in 78 percent of the cases—is under 25 years of age, is poor, have second grade school education only, there are 5 to 10 kids in a family; father works the land. The mother takes care of the kids and works at home.

The four most common occurrences, in addition to those treated by the orthopedic/reconstructive program, this person has is the incidence of scabies, lice, infections, and malnutrition.

As Dr. Rios mentioned, we need substantial amounts of medications to bring these young folks and not so young folks up to surgery.

In the country, overall, where the conflict has impacted very wide and very deep in society and at all levels of society, there are 5,000 beds in 26 hospitals devoted to surgical and related care.

Out of those, in the four main hospitals of the country are but 168 beds for orthopedic and trauma surgery and 80 for plastic/reconstructive.

Our program alone, thanks to the funding provided by Congress, has 30 beds. These 30 beds represent a little over 10 percent of the

total number of beds in the country for this type of specialized surgical care.

We estimate that not less than 5,000 cases require this type of surgical care at the present time.

Most of the other hospitals do not have the facilities, equipment, the doctors, the specialized services needed, particularly the multidisciplinary approach to deal with this type of surgery as we do it.

The need is reflected in these figures, and this is aggravated by the fact that because we are working on one hand within the CASA legislation that is directed to civilian persons, a large number of people on the other hand, demobilized members of the national resistance, ex-members of the popular Sandinista army, that have equal needs, that have been injured during the conflict, do not have this type of service either today.

They might have had them before, but these services are not available to them today.

The country itself does not have, not even one, center in which to provide these type of services under one roof. In Mr. Townsend's testimony, it was our view, and it is a view shared by Dr. Salmeron, minister in the portfolio of health, that the country might need at least one, if not two, centers where orthopedic, plastic reconstructive and related surgeries, and rehabilitation, is offered without any form of barriers, any form of exception to everyone.

Within this area, we are talking only about people injured directly by bullets, mines, explosions. We must recognize also that congenital defects, birth defects, that many times are very, very easy to correct within the first few years of life, or the first few months of life, become serious problems to correct and to solve later on.

And in these places where our beneficiaries come from, the mountains, deep in the mountains, deep in rural areas where it is very, very difficult for us, even with our resources, to reach them, these people cannot afford to come to these four main centers from 500, 600 kilometers away.

In consequence, I will beg the committee and the administration to consider the possibility of, in one hand, making sure or ensuring that the objectives are met. We need to move from emergency programs to the more stable programs, more long-term programs.

One of the ways in which within the field we are working this can be done is supporting the Government of Nicaragua, supporting the need of the people of Nicaragua to provide this type of service under one roof.

Mr. PENNY. We could use some assistance from the panelists here today in identifying the level of support that would lift health care services within Nicaragua, and not only, you know, what kind of financial assistance might be necessary, but how we can construct that in a fashion that over time, we can, you know, back down that obligation with incentives for the government there to replace the outside funds with local funds.

It does seem to me that for the time being, they are in desperate circumstances, and I think that it is important for the stability of the country and the welfare of the people that this—particularly something be done in the area of health care.

But the government there has to understand that over time, they have got to redirect their priorities and pick these costs up, so we

not only need to know what the shortfall is now and what amount it might be wise for us to allocate, but how to do that in a way that sends the right signal about backing down that amount over time so that they pick up these responsibilities on their own.

Mr. DORGAN. I do want to get to the State Department and the A.I.D. witnesses, and so I do want to release this panel in just a moment. I think Mr. Penny's request is something we would like to ask you to respond to us in writing. I think it would be useful to hear your recommendations about how you would recommend we structure, to propose and enact extensions of some of the programs that are now in place. If you would provide those to the panel in writing, we would appreciate that very much.

I want to thank all of you who have presented information to us today. It has been very helpful, and some of what you have done is, I think, some of the finest work that I have seen done around the world in dealing with poverty and refugees and other similar kinds of people.

I want to thank all of you very much for your good work. I appreciate your being here.

Next, we would like to call Frederick Schieck, the Deputy Assistant Administrator for the Bureau for Latin America and the Caribbean, U.S. Agency for International Development; and Peter Romero, Director, Office of Central American Affairs, Department of State.

If you would please come to the table. Welcome, we appreciate your patience, and I have had a chance to look at some of the information you have sent to us.

Mr. Schieck, we would appreciate hearing for you first, and you may proceed and summarize if you choose.

STATEMENT OF FREDERICK SCHIECK, DEPUTY ASSISTANT ADMINISTRATOR, BUREAU FOR LATIN AMERICA AND CARIBBEAN, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. SCHIECK. Thank you, Mr. Chairman.

Rather than summarize my statement, I would like to make a few comments to open up the discussion. This has been for me and the rest of us, I am sure, a very interesting hour and a half, listening to the other witnesses. I tried to take some notes because I think a lot of interesting ideas and assertions have been made, which we probably could discuss all day, all week, and all month.

Because this subject is in an area which, let's face it, the United States has been working since the end of World War II, we should know by now what might work and what might not work. Yet, we continue to have these kinds of discussions about the failures and successes of foreign aid.

I don't know that I have magic solutions either, but in looking at how U.S. foreign assistance funds have been used over the years, there have been different approaches.

There was a period of time when we thought the solution was giving massive technical assistance to developing countries. During other periods, we thought that infrastructure was the problem, or that trickle-down economic development would work, or that direct

impact on the poor, basic human needs was the answer. Now we talk about economic growth.

Perhaps the one lesson to be learned is that there is no single solution to the problem of development. Countries do need technology and roads; the poor need attention; economies need to grow.

But we have learned some lessons the hard way. What we have learned is that if governments don't set the economic stage, not much is going to happen for the poor in the country. If governments are not responsive to the needs of the majority of their populations, which in most developing countries is the poor, there won't be the progress or activity needs to help them.

Donor aid can only be a catalyst for local solutions. Donors need to be concerned with how aid recipient countries themselves plan to sustain these solutions over the long term.

We have learned that we, the U.S. Government or other donors, cannot substitute for other governments in doing the job which has to be done.

We also recognize that the bottom line of foreign aid throughout the history of the program has been, is, and will continue to be a concern for improving the quality of life of the poor of the countries with which we are dealing. Some people think we have lost sight of that. But I don't think the U.S. Congress nor the American people, to the extent that the American people think about foreign aid, would have supported the programs if there were no humanitarian content to those programs.

And, naturally, I think the humanitarian content is what has driven the Congress over the years, as well as the American people, in continuing these programs. This is not to say that there are not other valid objectives for foreign assistance, because there are. However, without the humanitarian content, I think we lose the program.

We in the administration are very conscious of this, and so we do not abandon nor ignore the question of how can we help the poor in the developing countries. Any implication that we are not concerned with this is simply wrong.

To be simplistic, the problem of poverty is lack of income. And how do we correct lack of income? People have to be able to earn a living; they have to have a job. We need to have governments change the manner in which they run their economies and the manner in which they run their political systems.

This is a broad statement which we can discuss later but, basically, neither political systems nor economic structures have been responsive to the needs of the people in these countries. For this reason, we take great hope and are very optimistic over the advent of democracy in Latin America over the last decade. If you look around the hemisphere now, all but Cuba are freely elected governments.

We are not saying that it is 100 percent, that democracy is functioning perfectly, but what we have today is a lot better than what we had 10 years ago, when military dictators were in power.

So, we have to keep the pressure on these governments to maintain, expand, and deepen the democracy and the openness of these governments in the future.

At the same time, we, the United States, have to keep our own markets open to help this economic growth and those of the developed world. That is why GATT is so important. And that is why—and I am aware of the comments that have been made on nontraditional exports—we believe nontraditional exports are important also.

We are for encouraging both domestic and foreign investment in the developing countries. We are for job creation; we are for better health; we are for better education; and we are for family planning. For example, we can demonstrate that there is more money for family planning going into Central America today than 10 years ago. We also want to see economies grow and we want to see everyone, the rich as well as the poor, improve their economic well-being.

I say that because it is hard to have policies which will encourage economic growth and investment if, in fact, people can't make money from it. But we want the poor to share in that, and that is one of the important objectives and challenges that we face.

Comments were made earlier about balance of payments. That line on the chart over there, I think, reflects primarily the amount of ESF that went into El Salvador. Let me say that in El Salvador, balance of payments are very important. Why? Because they finance needed imports.

There are many factories in El Salvador, as well as other developing countries, which can exist only if they get raw materials from abroad. They can't get the raw materials unless there is foreign exchange. If they don't have the raw materials, they close down; people lose jobs. The balance of payments can be very important.

Also, balance of payments, because money is fungible, does enable these countries to service some of their debts, for instance, to the World Bank, to the International Monetary Fund, and to the Inter-American Development Bank. By servicing their debts, it maintains a flow of resources from those institutions into those countries as well.

What is often lost sight of with the balance of payments is that the balance of payments cash transfer produces local currency, which is jointly used by the host government and A.I.D. for projects in the country. In El Salvador, the large amounts of ESF have produced large amounts of local currency, which have gone into road-building, schools, and health system upgrading.

In closing, I want to re-emphasize that the bottom line of what we are doing and what we see as our objective is improving the quality of life of the poor. We believe this must be done through job creation and through encouraging governments to make changes both in how they run their countries in a democratic sense, and in how they structure their economies, so as to encourage the types of decision-making which will create jobs in those countries.

Thank you.

[The prepared statement of Mr. Schieck appears at the conclusion of the hearing, see p. 61.]

Mr. DORGAN. Mr. Schieck, thank you very much.

Mr. Romero.

STATEMENT OF PETER ROMERO, DIRECTOR, CENTRAL AMERICAN AFFAIRS, BUREAU OF INTER-AMERICAN AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. ROMERO. Thank you, Mr. Chairman, members of the committee.

I have a prepared statement that I have submitted, and rather than paraphrase from it, what I would like to do is just briefly go over some of the policy context with which I think is relative to this particular discussion.

And that is, a couple of times in the course of discussion by various experts and some of the members, there has been reference to U.S. lack of interest, waning interest, distraction, whatever, from Central America, and I would like to tell you that if there is a distraction, I as the Director of Central American Affairs, have not felt it at all, and in fact, I think the level of our work over the last year has probably at least doubled and perhaps even more, and I can tell you that specifically the reason for it is that there has been significant changes in Nicaragua.

We have achieved peace, a demobilization of an irregular force, democratic elections occurred, and a democratic government sits in Managua right now. That government is a recipient of large amounts of U.S. assistance, and will be this year and next year.

The conflicts that continue in El Salvador and Guatemala are, I think—probably the prospect for peace in those countries are better than they have been in the last 10 years; and in Guatemala, perhaps in the last 28 years. What I am saying is that I think the surest way of being able to get Central America out of the condition that it is in is, as Mr. Schieck said, democratic governments, but also ending the conflicts and helping the democratic institutions as nascent and fragile as they are, to mature.

The Secretary of State has launched a mechanism known as the Partnership for Democracy and Development in Central America. There was a meeting convened at the State Department 2 weeks ago; there were over 28 countries represented, including Central America, and the mechanisms, as it is referred to, as the PDD, are specifically designed to attract the kind of international support, encourage trade and investment possibilities, and yes, even economic assistance, in support of these nascent democratic institutions in Central America.

The response on the part of most countries was uniformly positive. We are hoping that in the future, we will be joined in larger measure by other countries, members of the OECD and others, in support of long-range goals and a rationalization of assistance in Central America.

As you well know, the President is in South America now, and he is getting eager responses by the Latins themselves with respect to his Enterprise for the Americas Initiative, and the pillars of debt and trade and investment that this includes.

All of this, I think, demonstrates that the Latins themselves are open, willing, ready, and able to do what is necessary in order to bring about development and peace to their countries and, in many cases, they recognize that in order to alleviate staggering poverty,

malnutrition, and underdevelopment, they need to put their own political and economic houses in order.

Let me just mention to you, before I close, a quote from the last President Summit in Central America. This was held in Antigua, Guatemala in June.

To meet these challenges the presidents of the Republics of Costa Rica, El Salvador, Guatemala, Honduras, in June 1990, reaffirmed the joint declarations of the Esquipulas I and II meetings, in which it was noted that "it is not possible to achieve peace without development."

These leaders fully recognize that poverty is an act of human neglect that they must vigorously confront. The creation of a new Central America economic community, the President noted, "will not leave anyone behind."

Mr. Chairman, I think that this speaks eloquently to the intentions of the Central Americans themselves. I think that our intention is to broaden and multilateralize the assistance that is going on, and work as intensively as we are to support negotiations toward resolution of conflicts in El Salvador and in Guatemala.

Thank you.

[The prepared statement of Mr. Romero appears at the conclusion of the hearing, see p. 78.]

Mr. DORGAN. Mr. Romero, thank you very much.

Mr. Penny.

Mr. PENNY. Thank you, Mr. Chairman.

I noted with some interest the listing of the uses of the A.I.D. package approved this past year, and then I took note of the follow-on appropriation levels for fiscal year 1991, and I am just curious to get some input on what your recommendation is likely to be for fiscal year 1992, and what changes you might—in terms of policy changes, or changes in emphasis you might perceive as part of those new requested funding levels.

Mr. SCHIECK. Congressman, we in the Agency are right now in the midst of preparing the 1992 budget request. As you know, it goes to the Congress in January, and so I really can't say anything at the moment about where we are coming out on levels.

Of course, the U.S. Government budget is under pressure, but we are hopeful that we can maintain levels sufficient to continue the programs in Central America.

I don't see brave new policies that we may be adopting between now and then, other than perhaps increased emphasis in the area of democracy and programs, for instance, on the administration of justice; trying to get working with both governments and private groups on how to strengthen the democratic processes in these countries.

We want to continue our emphasis on trying to encourage investment and trade with Central America. We will continue with population programs, health, education, and what have you.

Mr. PENNY. I saw you stress education programs. Are you proposing increased levels in that area, and if so, are we going to be emphasizing a program sponsored by the governments or by private groups?

Mr. SCHIECK. Let me say the program levels for population in Central America have increased in the last decade. In 1990, the

funding level for population in Central America, which, of course, does not count Panama and Nicaragua, were $12 million. I would expect that we would at least maintain that level.

Now, the U.S. Congress has increased overall funding for population for the Agency, and of course, Central America has shared in that increase. We work with both government and private organizations.

Frankly, in Central America, the willingness of governments to do a whole lot in family planning varies. Basically, we get arguments sometimes from governments, "Well, we are a Catholic country," et cetera, and "We can't be out in front on this; however, we don't object."

Clearly, in all the countries we work with local as well as U.S. organizations which are providing family planning services, and we have gotten Ministries of Health to agree to allow contraceptives to be available in public health facilities.

At the same time, governments haven't necessarily gotten out in front and put in poster campaigns, et cetera, saying they want to do this. However, they have not stopped private organizations from doing this, and our emphasis has been through the private sector.

Mr. PENNY. You heard the previous panel speak specifically about the decline in the levels of health care in Nicaragua. What is our game plan for bringing those services back to an appropriate level?

Mr. SCHIECK. Let me note we have some charts here, which I would be happy to leave with you, which show indices of health for all five or seven Latin American—Central American countries, including Belize, between 1980 and 1990. And in every instance, it shows improving indices, except in Nicaragua, and in the last couple of years, in Panama.

For instance, a percentage of the children malnourished in Nicaragua between 1980 and 1990 rose from 17 to 27 percent. That is from 1980 to 1990. In Nicaragua, the infant mortality rate went from, let's see, it improved—it went from 84 percent to 64, but still 64 is one of the highest.

Mr. PENNY. Tied by a comparison.

Mr. SCHIECK. Right. Sanitation coverage worsened in Nicaragua.

Mr. PENNY. Immunizations worsened.

Mr. SCHIECK. Vaccination coverage in Nicaragua, let's see, it went from 52 to 61 percent. However, in all the other countries, for instance, in Honduras, it is 75 percent; Panama, 71 percent; Central America as a whole was 66 percent.

Mr. PENNY. I have similar statistics here, yes.

Mr. SCHIECK. Right. One of the earlier speakers mentioned that the problem is lack of resources, and that is precisely what the problem is, and we are trying to grapple with that. We have set aside funds in Nicaragua to make grants to private voluntary organizations.

We have had, to date, something like 52 applications for grants, not all in the health area, but many of them in the health area. We have approved a number of those. We intend to continue that process.

At the same time, we have to be concerned about is how to help the government system get up and running, and they do lack very

many basic things. We have purchased medicines and we are continuing to purchase medicines. We are working with the U.S. Public Health Service to provide assistance, but it is going to be a long-term process. We are working with the PVO community.

Mr. PENNY. I just want to stress one last point before I leave for another meeting. The emphasis on export agriculture needs to be better balanced with an understanding that is not the only sector of the economy, and that an awful lot of people that don't make any money, or refuse any benefits from those export crops. So, I would hope that you would look more carefully at the kind of investment you make in agriculture within these countries to take into account the large number of people involved in agriculture that aren't growing for an export market.

Mr. SCHIECK. Right. That is a good comment, Congressman, and let me say that the problem is basically this: In Guatemala, for instance, the average land holdings in the highlands may be a hectare and a half. If someone is going to grow traditional crops, they are never going to get out of poverty, because they have the lowest price in the country, because that is where all the production is.

The question is, what do you do? How do you handle farmers who are dealing with this? Even if we came up with miracle corn and doubled the corn production on a hectare and a half, the man is still not a heck of a lot better off.

Our hope is that some nontraditional crops can make a difference. And in Guatemala, it is interesting, 15 years ago, if you went to the highlands, you saw corn growing everywhere. Now you see things like cauliflower, broccoli, and crops which are being exported, and these people are making a lot more money than they were before.

It is not easy. There is a lot of technology involved.

Mr. PENNY. But there has still got to be some balance there, and I don't know whether you do it through cooperatives or how you arrange this, but somebody has got to help farmers obtain the information that they need to make some prudent judgments about what they can grow and what the market is, and what the price is, so that we don't continue this division within society in which those who somehow have been linked to the export market are sitting there with a profitable farm operation, and others who are kind of left to fend for themselves are selling at prices insufficient to support their family.

Mr. SCHIECK. Right.

Mr. DORGAN. Let me bring you back to the question of food aid, if I might, because you do say, Mr. Romero, in your statement on page 3, that food aid has been a significant tool in feeding those in real need. The purpose of the foreign aid that we have in this country and the legislation itself, foreign aid access, is to alleviate the worst physical manifestations of poverty among the world's poor, and so on.

We all understand that that is what we are attempting to do. We have had a very useful and significant discussion about the issues that you must discuss when you talk about this region of the country, I understand that. That is a part of what we must discuss every time we talk about these things.

We also always talk about health. And that is important, and it will always be discussed in a conversation of this type. But you don't eat in the long run—you eat every day, and health care is irrelevant to someone who has nothing to eat, and even someone who has something to eat does not have a very good life if they don't have health care, so the process goes.

But it starts with the question of whether someone has enough to eat every day, and I want to get back to the basic humanitarian questions here with respect to our policy. We had, in the last years, a very aggressive Assistant Secretary who oversaw a policy in that region to make sure enough money went down there to accomplish that particular agenda.

I didn't share the agenda, but nonetheless, I understand democracy, that is what the agenda was at that point. That aggressiveness on the part of that individual in State was successful, because they got the money and moved it down and did the things they wanted to do with it.

The question is, if the poor are now poorer in Central America—and I want to ask you whether you share that conclusion of the Sanford Commission, and if the humanitarian needs such as food for hungry people and especially children exists, do we have the enthusiasm and the desire and the energy in A.I.D. and State to address that?

And if so, how is that being manifested at the moment?

Mr. ROMERO. Well, I am not so sure that all of the indices point to an increase in poverty in Central America. I think you can look particularly at a country-by-country basis and see some real points on the horizon that give you cause for optimism.

But I think that the broader question about resources——

Mr. DORGAN. I might, at that point, ask you if you had read the Sanford conclusion and do you agree? Their conclusion was that after nearly $10 billion going down there in a decade, that the poor are now poorer. Do you dispute that?

Mr. ROMERO. I think that they are still poor, and after $10 billion, one, I think, really needs to step back and look at the direction of our assistance policy and our foreign policy in the region. I think we have concluded that there are limits to what you can achieve, unless you do things like end—or try to end civil conflicts, and try to have governments institute the kinds of economic policies which promote growth, lower trade barriers and bring public sector deficits under control, and all the measures we have been seeking to implement in the economic and the financial area.

But to be honest with you, I think that our efforts under this Partnership for Democracy and Development Program is also designed basically to demonstrate that the United States considers this area to be extremely important, and that we, the United States, do not have the economic resources to continue to support this region exclusively.

Other nations also need to take a look at the region, and we all need to rationalize our assistance to a greater degree. I think probably one of the greatest problems that we have is the excessive earmarking, Mr. Chairman. I know you have heard about that, but there is no one Central American country that has earmarks. There are other countries who enjoy large funding and excessive

earmarks, and it makes it very difficult for us to be able to do the kinds of things necessary.

It also forces us to make excruciating, very painful choices about whether to take a million from one country that needs it badly and put it in a country that needs it just as badly, if not more. It doesn't help us to sleep at night when you look at the kinds of decisions that we have been forced to make.

Mr. DORGAN. Let me say I understand the point you make about earmarking and how that affects the larger budget and where the money is allocated within that framework. The Sanford Commission concluded now over a year ago, after some exhaustive evaluation, that the poor in Central America are poorer, are less healthy, and are hungrier than a decade ago, and you indicated you are not so sure that they are poorer.

Are we doing anything to try to be sure, understanding that this is a subjective conclusion? But the mind-set, it seems to me, of policy-makers is critical on this point. If you think they are poorer and hungrier and less healthy, it seems to me that motivates you to believe that this priority is more important than another priority.

Are you undertaking any evaluation to validate the Sanford Commission conclusions or invalidate them? How do you make judgments about whether you think these folks are poorer than 10 years ago, and if so, that commands more of your interest and attention in providing feeding assistance?

Mr. ROMERO. Let me just mention one thing, and I would gladly defer on that particular question to Mr. Schieck. I think what we have done is to basically identify pockets of people who are in, I guess, in a crisis situation with respect to their need; those being Nicaraguans who fled their country for various reasons and who are living in Costa Rica and Honduras.

Those who either have been in refugee camps or living on the periphery or living in societies without the benefit of being documented in any way. Returning contras, for example, their family members, and if you look at Salvadoran refugees, for example, who have in the last year, by large measure, repatriated themselves from Honduras, I think we focus most of our effort to these kinds of pockets of people.

In terms of general welfare and poverty, I think Mr. Schieck, you could probably address yourself better to that.

Mr. SCHIECK. I can make a couple quick comments. It is true that on a per capita income basis, except perhaps for Costa Rica, per capita income is lower today than it was in Central America in 1980. Actually, I would argue 1979 was perhaps the watershed. But at the same time, people wonder how people can be worse off when we put $10 billion in the region.

Our point is, and it is not necessarily a completely satisfactory answer, you have to look at from where they were coming. The oil shock of 1979 destroyed the economies of Central America.

It destroyed these economies because basically they had wrong policies in place. They tried to maintain overvalued exchange rates; they tried to maintain levels of public spending; they tried to continue to borrow, and consequently the debt piled up and interest rates rose. The net result was that by 1982 or 1983, these countries

had suffered tremendous economic losses with tremendous drops in per capita income.

The U.S. resources which went into Central America have done a whole lot to get that situation turned around. We are not happy that the levels are not back up to where they were, say, in 1979, but I think—and maybe we can never answer this question—what would have happened in the absence of these resources?

The availability of those resources have enabled governments to make some decisions which were necessary to turn their own situations around, and I think that is very important.

Second, however, you have to ask, how are people poorer? On a per capita income basis? That is true. On the other hand, you asked whether we have done any studies. We have contracted private organizations to look at factors such as infant mortality, malnutrition, the number of kids in school, coverage and sanitation, potable water, and in every case, taking Central America as a whole, as well as most countries individually, those have improved.

There are kids in school, there is more coverage of percentage of population in water supply and sanitation, and so the programs have made a difference in that respect. Yes, there is still poverty. The Sanford Commission attributed part of the problem to the internal strife and the problems of fighting as well as other things in Central America which have contributed to that. We are hopeful that those problems will end soon.

We know there is still much to be done, but we believe that U.S. resources have made a real difference, particularly when you look at where they were coming from in the early eighties.

Mr. DORGAN. Well, again, I am not unsympathetic to the questions we have been discussing most of the afternoon, that Mr. Annis raised and others raised. I have studied economics and taught economics at college, and I have a great interest in the broader questions. But let me again try to bring you back to the question of whether today, when a young mother with a child who is sick and hungry goes to a Partners for the Americas clinic or some other place in Nicaragua while trying to get food for that hungry child, are they more likely or less likely to get food? Are we doing anything to enhance the opportunity to get food for hungry children? Let's talk about Nicaragua, because I have been there, the last time a year ago. I don't know much about the current condition, but I must tell you that a year ago, it looked like it was in direct competition with Haiti.

I mean, it had collapsed, the economy had collapsed. People were poorer than when I had been there previously, and were having a more difficult time. Public attention has moved. I think for State and other policymakers, other spots in the world become hot spots, and that is where resources move. You don't see a lot of energy to say, well, we have got neighbors just down the border here, probably as close to our Nation's capital as my home town is, down in Nicaragua, who are very hungry and suffering. We have programs in place, Public Law 480, for example, that depend on our ability and your ability to develop funds for them to offer benefits and services and food assistance to people who need it.

What do you see in the future with respect to your requesting funds and your moving some food through PVO's into the Central

American region, and Nicaragua specifically? Will they be up or down in the coming fiscal year, in your judgment?

Mr. SCHIECK. It just so happens I have some projections here on food aid, and clearly in Nicaragua, it is going to go up.

I mean, of course, we are starting from a low base, so that is easy to say, but still it is going to go up significantly.

We expect to do or hope to do up to $40 million in fiscal year 1991 in Nicaragua in food aid.

El Savador will go down slightly. Panama will go up.

Mr. DORGAN. Give me El Salvador's level, if you would.

Mr. SCHIECK. Well, right at this moment—and, of course——

Mr. DORGAN. Tell me title I.

Mr. SCHIECK. In title I, $35 million.

Mr. DORGAN. But I am more interested in food than I am cash.

Mr. SCHIECK. About $6.5 million in title II.

Mr. DORGAN. For food in title II, $5 million. Title I can be converted and so it doesn't mean it is going to get to some hungry kid that needs to eat.

Mr. SCHIECK. That is correct, but the proceeds from the sale of that are used in programs—they support PVO programs and health, family planning programs.

Mr. DORGAN. I understand, but you understand the black hole theory of foreign aid in some parts of the world and you also understand what went on in El Salvador in the eighties, which I think still needs to be dealt with, with some more aggressive investigation.

But I just point out that I understand the point you are making, but I am real curious about title II in Food for Peace, delivering food to people who are hungry.

What is the estimated need in your judgment in Nicaragua for title II funding?

Mr. SCHIECK. Mr. Chairman, I can't give you a precise figure.

Let me just say, we respond to what our mission is proposing.

I don't know of any constraint on the mission of why they would not want to request more title II or what they think they could use.

They are working with CARE and ADRA on those programs, and there is no controversy over title II. People support it.

This appears to be the figure the mission has preliminarily put in as to what organizations think they can do during the year.

Mr. DORGAN. Is this Nicaragua?

Mr. SCHIECK. I don't have the breakdown on that.

We have a global figure of $40 million, which we are still talking with the mission and the government about how to split that up.

We know, as you know, that to conduct a title II program requires the infrastructure on the part of the PVO, warehouses, vehicles, employees, feeding stations, et cetera, and so that doesn't happen overnight.

We are going to provide support with some early food availabilities, for instance CARE is doing a Food for Work Program there already. We want to extend that. So we are open to discussion on that.

Mr. DORGAN. Who would be relied on to do a need assessment of the immediate food needs of a country like Nicaragua from your perspective?

Mr. SCHIECK. A lot of organizations get involved.

One of the first—of course, governments usually come in and tell us what they think.

We rely heavily on what the traditional PVO's, like CARE and CRS who handle food and agriculture, to tell us as to what they can do.

Now, these organizations, when they come in, aren't necessarily saying this food is what is needed for the whole country. They are asking for this food, based on what they can handle and administer and stay on top of.

Mr. DORGAN. Is the Chamorro government? Have we asked the Chamorro government in Nicaragua what are your food needs to deal with the emergency feeding requirements in the country? If so, what is the response?

Mr. SCHIECK. The government wants us to help in this area.

Mr. DORGAN. Have they made any formal request?

Mr. SCHIECK. They have not at this point.

One of the concerns of the government is, of course, that they don't want to damage their own agriculture, and we don't want to either, because large farmers are producing for exports. Small farmers are producing for domestic consumption.

The food we bring in on title II is substituting for domestic production, or is supplying domestic consumption.

Now we know that there is a deficit, and so we want to address that. At the same time, everybody is sensitive to the question of undermining the productivity.

Mr. DORGAN. When the deficit is as great as it is, food that is brought in under title II is never a substitute for domestic consumption that doesn't happen.

I am also interested in Haiti, which perhaps we can talk about at some point in the future. There are emergency needs there, especially the deficit.

It appears to me in a country like Nicaragua, it would take a fair amount of title II food aid to be competing unfairly with domestic production.

Mr. ROMERO. Mr. Chairman, let me mention one thing.

On the part of the government, it has been difficult to get a handle on food aid and food needs.

One of the problems has been that the Sandinistas basically constructed their own infrastructure to dole out food to the needy.

After they left the government taking large pieces of it with them, by the way, it became very difficult to get a handle on where the populations were, what the dimensions of their needs were and how best to get it out there.

This was all in the party infrastructure of the Sandanistas.

The other problem was that you had a large group of people who have come back into the country and because of the uncertain security conditions were unsure of where they were going to be permanently.

So they tended to move around in a large group without any roots or no certainty as to where they were going to set down.

I think the situation is still clarifying itself. Recently, for the first time in the last 2 months, I would say the government has

been able to get a handle on their ministries a little better and get people out in the field to assess needs.

Mr. DORGAN. Could we ask your organizations to provide us with some written analysis of the needs assessments as you see it, especially in Nicaragua, but generally in the region?

If you could provide us with some breakdown—I think we have the breakdown on title I and title II by country—particularly your estimate of where the $40 million will go broken down by title I and title II by country.

Mr. SCHIECK. Mr. Chairman, we have signed up to do a foods need assessment in the January-February period. That would answer a lot of those questions.

I don't know whether you want to wait for that. We certainly will give you our best estimates now.

Mr. DORGAN. We can wait for that.

If you would give us your estimates of what current funding requests will provide in title I and title II by country, we can compare that to the needs assessment. It will give us some idea of what kind of a deficit exists with respect to emergency food.

Let me also, in conclusion, thank two organizations that have contracted with this country, Pan America and World Rehab. A number of us on the committee have gone to Central America and reviewed specifically the activities of these two organizations.

We don't know everything. We don't pretend to be scientists or cost accountants.

But it looks to me, and it appears to others with whom I served, that we have been remarkably successful in delivering to some people much needed health care and rehabilitative surgery, and provided hope to people who otherwise would have had no hope in their lives, especially young children.

I would hope Congress and the administration could work together, in analyzing whether there are ways to continue some of these efforts so that we can eventually nurture these programs into the kind that can be supported wholly by that region in the future.

But until we get to that point, I think we should always try and recognize the good and sort out the bad. We must try to keep the good nurtured along and see if we can't make it better and more widely available.

I say that only because these are programs that we have personally witnessed and they are good programs.

I appreciate your patience today. I am pleased that you did have the opportunity to hear the other presentations.

It went longer than I expected.

I hope that you can understand from the questions that were asked and from my persistence on the issue of hunger that we are especially interested in what this Government does, what the Congress does, and what the administration does, in setting priorities for responding to hunger needs in Central American countries.

We are especially interested in trying to determine with what energy do we move forward and try to respond to the human needs in some of these countries, that are just now trying to pull themselves out from under oppression and to build lives for themselves.

It is difficult to have hopes and dreams for the future if you don't have something to eat for supper or you can't feed your kids.

All of us have to be sensitive to their needs and be as aggressive in doing that as my friend in the State Department was in the eighties for getting money for Central American projects he wanted.

If we can be as aggressive in fighting for the interest of those folks who are hungry and poor in Central America, we will do some good humanitarian things for those with whom we live and work.

I want to thank all of you for your testimony.

Thank you very much.

The hearing is now adjourned.

[Whereupon, at 3:50 p.m., the task force adjourned.]

[Material submitted for inclusion in the record follows:]

Prepared Statement of Hon. Byron L. Dorgan, a Representative in Congress From the State of North Dakota

I would like to welcome you to this hearing on the U.S. Response to Hunger and Poverty in Central America. It's an issue that this Committee continues to follow closely, even though Central America is no longer page one news.

The recent political changes in this region -- especially in Nicaragua -- provide enormous opportunities to make democracy and private enterprise work. But it seems that U.S. attention toward Central America has waned in light of other world events. It would be a mistake to forget about Central America.

My central concern is: has the Bush Administration determined that we should now make the same kinds of investments in nutrition and health care as we used to make in military aid and contra support? I hope to determine today whether AID is planning to make such an adjustment so that we can really address the poverty, disease, and hunger that afflict this region.

These countries are also among our closest neighbors and that's why our foreign aid program must respond to their needs as top priorities. In my part of the country -- in Mid-America -- neighbors always help neighbors. It should also be true that we find more effective ways to help our neighbors in Central America.

Over the last 10 years, Central America has been ravaged by civil strife, burdened by foreign debt, and buffeted by economic stagnation. Poverty remains the root of most of their problems. Despite some modest gains in health care, infant mortality rates in the region are as much as eight times higher than in the developed world. My visits to the region have revealed widespread and grinding poverty.

In order to stabilize the region, the U.S. has provided a tremendous amount of foreign aid -- over $10 billion -- in the last decade. However, only about $4 billion of that aid was focused on development programs and feeding programs. Even so, that would represent an enormous investment in the fight against poverty -- if it were used constructively.

Today this Task Force would like to examine the results, that is, how far we have come toward the alleviation of the worst aspects of hunger, poverty and poor health in Central America? We would also like to determine the impact of the special Child Survival programs for victims of civil strife in Central America. How effective have these programs been? Can they serve as a model for wider health care efforts? Do they suggest how we can make better use of foreign aid dollars?

To that end, I would like to introduce our first witness, Pat Garrett from the World Rehabilitation Fund. Ms. Garrett will show us a video of World Rehab.'s role in the Child Survival and Central American Assistance programs. We will then hear from other private witnesses and from AID and the State Department.

But first let me recognize my colleagues for any statements they may wish to make.

Prepared Statement of Hon. Timothy J. Penny, a Representative in Congress From the State of Minnesota

Mr. Chairman, I want to commend you for holding this hearing today to review humanitarian aid programs in Central America. I have been pleased to work with you and other members of the Hunger Committee over the past several years on legislation creating the Children's Survival Assistance Program (CSAP) and its successor the Central American Survival Assistance Program (CASA).

It is also a pleasure to have with us representatives of some of the organizations that are carrying out these programs in the field in Honduras, Nicaragua, and El Salvador. As you will recall from our trip to the region last year, observing the work of these PVOs with victims of the strife in the region was truly a moving experience, one that we will never forget. I am convinced that to date we have done the right thing with CSAP and CASA.

But now is also a time to think of the future of humanitarian aid in Central America and to ask important questions of our friends in the PVO development sector as well as in A.I.D. and the State Department what they feel we should do to continue with these successes. I look forward to hearing what they have to say here today.

My own feeling at this point is that we must look hard at traditional and successful development programs that emphasize child survival and immunizations, maternal-child health, basic education, and agricultural development for small-scale farmers.

Mr. Chairman, you and I have been among the leaders in this body fighting for America's family farmers. I feel that this government should undertake similar efforts in support of small-scale family farmers in Central America and the Caribbean. I have grave concerns about the impacts on small-scale farmers of US policies of the past decade to increase non-traditional agricultural exports from the region. Can we say that these efforts have benefited those most in need? I look forward to hearing the thoughts of our witnesses on that subject.

PREPARED STATEMENT OF LEWIS TOWNSEND, DEPUTY EXECUTIVE DIRECTOR, PAN AMERICAN DEVELOPMENT FOUNDATION

Thank you, Mr. Chairman. It is a pleasure for me to represent the Pan American Development Foundation before the International Task Force of the Select Committee on Hunger.

The Pan American Development Foundation is best known for its work over nearly 30 years in Latin America and the Caribbean in building local institutions and in helping low-income people to help themselves.

There are many ways in which the enterprising and active poor can improve their opportunities: Access to credit and small business counseling can help the small-scale urban entrepreneur or potential entrepreneur on his way. Timely provision of tree seedlings to a Haitian peasant allows him or her to hold soil on the hillside and grow trees for poles, fuelwood, or charcoal to sell. Tools provided to vocational training schools allow young people to learn useful trades. And small scale farmers can learn new techniques to improve cocoa production. PADF has worked to meet all these needs.

However, many in our hemisphere cannot take advantage of assistance like this as a means of breaking out of the poverty cycle.

Even in the best of times, there are many poor people in Central America without access to quality medical care. As civil strife spread to most Central American countries, even inadequate or geographically distant services became harder to access. Now as civil strife lessens (although some disturbances continue and in fact have increased lately in a couple of other countries), many Central Americans are trying to rebuild their lives and overcome the difficulties of displacement, uprooting, illness and injury, and even direct consequences of the fighting.

It is these individuals - children, youth and heads of families - to whom PADF has provided specialized medical assistance in Honduras over the past 20 months and Nicaragua since May of this year. Our surgical care program is in direct response to the understanding by the members of this Committee and by the Congress as a whole of both the needs in Central America and the potential for alleviating some of the worst cases of suffering.

Let me share with you some facts about our programs in Nicaragua and Honduras:

We continue to provide plastic/reconstructive and orthopedic surgery to more than 50 new cases a month in each country. This includes not only the surgical services but also all the medical and support services needed in conjunction with the surgical treatment, as I will detail later in this testimony.

In Honduras over the last 20 months:

We have mounted a program of orthopedic and plastic reconstructive surgery and related services at the Adventist Hospital in the Valle de Angeles near Tegucigalpa, including a half-way house that serves as a pre and post hospital facility.

Over 1,000 victims of the conflict - initially children and youths, and more recently heads of families - have benefitted from surgical care provided by an all-Honduran medical and support team.

Burn victims, whose fingers were webbed, and arms and legs contracted once again can use their hands and limbs.

Doctors have corrected arms and legs with severely impeded movement as a result of early poor treatment of broken and infected bones, due to lack of medical care in areas affected by the conflict.

PADF has provided care to children's twisted legs and arms caused by birth defects and inadequate medical attention. Surgery has allowed these limbs finally to support the child's weight so he can walk, or move his arms normally to carry out routine daily activities.

These beneficiaries have been given a chance to return home as productive members of society, capable once again of going back to school, working, earning, supporting their families, and enjoying in some measure life once again.

In Nicaragua, in just seven months:

PADF has helped renovate and substantially upgrade the facilities of La Trinidad Hospital (originally established and operated by the Seventh Day Adventists and now again under their administration). This also included a half-way house facility for pre and post hospital stay.

An all-Nicaraguan surgical and support team has surgically intervened more than 360 cases involving over 400 major surgeries.

The Pan American Development Foundation agrees strongly with the desire of Congress to help Central Americans who have been injured and displaced. We are pleased to implement these new efforts of the Agency for International Development to help the worst cases beyond the reach of the countries' inadequate and limited national health care systems.

Why did the Pan American Development Foundation choose to become involved in the Children Survival Assistance Program (CSAP) and to continue activities under the Central American Survival Assistance Program (CASA)? Why did we divert attention and energies from our traditional focus on employment, training, and strengthening local development institutions? Why did we move beyond our traditional programs of donating equipment to health care institutions to actually providing specialized medical care?

PADF originally joined the CSAP effort to help another US non-profit organization by sharing our knowledge of institutions, people and systems in Central America where we had worked for 30 years. We had not taken part with the intention of providing direct medical assistance. With the withdrawal of the other organization, PADF agreed to assure total project responsibility with clinical support from the George Washington University Medical Center. We soon abandoned plans to engage US volunteer medical and specialized personnel, which proved to be logistically complex and promised uneven results. PADF found that qualities most needed were our organizational and management skills, efficient procurement, and a strong sense of mission.

PADF found an acute need for upgrading the existing medical facilities and equipment and returning to high quality medical standards and work ethics. Qualified medical and support personnel were available locally, but they needed sound operational systems, equipment, and medicines to practice their art. We have been able to move swiftly and effectively. Some 1,400 persons benefitted up to now from the resulting specialized medical care, and 600 more will benefit within the next six months.

So much for our rationale and activities to date.

To look ahead:

Thousands of Central Americans remain without access to adequate specialized medical attention from public or private medical care systems. PADF therefore believes its surgical interventions should continue, and possibly be broadened beyond plastic reconstructive and orthopedic surgery to include other related specialties.

1. We propose continuation of our focus on children and youth, heads of families, and bread winners from among the poor.

2. We believe that PADF's specialized services should be offered also to victims of the Salvadorean civil strife. We are aware that some in AID insist that El Salvador's medical care facilities can and do meet the needs for specialized medical care. However, most Salvador health care institutions have never recovered from the October 1986 earthquake, and do not even meet their inadequate pre-quake levels of care.

3. There exists an opportunity for longer term contribution to development. To date, the Pan American Development Foundation has focused on providing surgical care. However, to improve self-sufficiency in specialized medical care, there is need for training of medical residents, nurses, operating room and support personnel within the upgraded facilities. Such training should both improve individual skills and maximize now and in the future the effective use of these facilities.

4. In the case of Nicaragua, where all medical facilities are in poor or deplorable condition, there is another opportunity: PADF's orthopedic and reconstructive surgical program at La Trinidad

hospital and the companion rehabilitation activities could, with some additional effort, be further upgraded and expanded in relatively short term to become an orthopedic and plastic reconstructive surgery specialty and referral center for the northern part of Nicaragua. This is a concept shared and supported by Nicaragua's Minister of Health.

5. Finally, and as a minimum, PADF believes strongly that its present program of surgical efforts, together with the companion and complementary rehabilitation services, should be continued for at least another couple of years to treat the remaining worst cases, while the Nicaraguan health and hospital system is rebuilt.

PADF's ability to continue these efforts on its own is severely limited (as most of our unrestricted resources are committed to other activities).

To date, PADF costs under CSAP and CASA financed by AID have totaled about $2.6 million dollars. This works out to less than $2,000 per case treated, providing for the patient's return to his/her home with a brighter future. Per-case costs will continue to drop as the costs of upgrading facilities and purchased equipment is spread over a growing number of cases. I must be mentioned that these costs include: identification of the beneficiaries by highly trained staff travelling up to 400 km. each way to the beneficiaries communities; transportation of the beneficiaries to and from La Trinidad hospital and half-way house; room and board while in the hospital and half-way house, including a companion for those under 12 years of age; all diagnostic and medical/surgical services needed, including medicines while in the hospital and after discharge until treatment is completed; psychological counseling, social worker services, family counseling, hygiene education and training, support in basic reading and writing skills, and occupational therapy.

It is my opinion that it is both fitting and proper for the US Government and people to continue support of the peace process of Central America. Part of the healing process should continue to help those most affected by hunger, malnutrition, and ill health in the region. In this context, PADF recognizes that AID's primary mandate is to assist the national governments and private sectors, build institutions, and improve facilities and systems, ultimately to benefit society at large.

It is also my view that non-profit development organizations, can and should continue to play a unique and valuable role in planning and delivery of such assistance. The Pan American Development Foundation would be pleased to play a significant role in this process.

Thank you.

PREPARED STATEMENT OF SHELDON ANNIS, ASSOCIATE PROFESSOR, BOSTON UNIVERSITY, AND SENIOR RESEARCH ASSOCIATE, OVERSEAS DEVELOPMENT COUNCIL [1]

Thank you, Mr. Chairman, for this opportunity to testify on on absolute poverty and the United States aid program in Central America.

In my remarks today, I will not belabor what I believe you know to be the larger problem: that the US aid program is not very effective in dealing with absolute poverty because, fundamentally, it is driven by the political considerations of US foreign policy. These overlap only coincidentally with the goal of poverty alleviation.

From the perspective that we are discussing today, overall hunger and malnutrition, it makes no programmatic sense that in the last four years, four tiny Central American countries -- with less than 5% of the region's population -- should have received

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[1] Views expressed are the author's and should not be ascribed to Boston University or to the Overseas Development Council. The author wishes to thank the Tinker Foundation and the Rockefeller Brothers Fund for support to the Overseas Development Council.

70% of US bilateral aid to the Western Hemisphere. After all, on just the streets of Brazil there are nearly as many homeless, abused, utterly impoverished street children as there is total population in Nicaragua and Panama.

On the other hand, you would assume that if the US aid program is anywwhere making a dent in poverty and malnutrition, it ought to be in Central America.

Sadly, this is not the case. Virtually all studies have reaffirmed that, with the possible exception of Costa Rica, poverty is egregiously worsening in absolute and relative terms in Central America.[2] Especially in the rural areas, suffering is epidemic. And even in Costa Rica, where absolute poverty is declining, income inequality between the rich and poor may be increasing.[3]

You do not need to rely on studies or on experts to know that this is the case or to understand what it means.

A few months ago I was driving down the main highway in southern Honduras. Every few kilometers, traffic would be stalled for what in the distance looks to be road construction

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[2] See, for example, background documents and final report of the Sanford Commission on Central America; the World Bank's World Development Report: Poverty, 1990; and most recently, the second United Nations Development Program Conference on Poverty in Latin America and the Caribbean, which was concluded in Quito last week. According the UNDP conference, the region as a whole will begin the 21st century with 296 million poor people, nearly 30 million more than at the outset of the 1990s.

[3] See most recent reports from the Costa Rican ministry of planning, which points out that over the last four years Costa Rican GDP grew an average of 4.9 percent a year, but real wages fell 5.1 percent.

crews.

As you approach, the workers raise their hands to wave. . . well, not actually to wave, but to beg, for these workers are raggedly gangs of village children -- clusters of two here, three there, maybe as many as twenty over a kilometer stretch of road.

Some of these children are as young as four years old; few are older than ten. They are trying to earn money by begging motorists for tips for filling in potholes with roadside gravel and sod.

They cannot be earning much. If you wish to give a few coins, you will find it difficult to fish simultaneously in your pocket, swerve around potholes, and dodge the children who start running as you slow down. The trick is to not stop, lest you be overwhelmed. The next gang looks up and is also starting to run toward you.

These children live in homes with dirt floors rather than concrete, cooking fires rather than stoves, and latrines rather than toilets. Much of their diet consists of salted tortillas and store-bought sweets. There is little food stored in the house and no cash savings.

If you talk to the parents of these and similar children around Central America, several themes emerge.

First, these people are not waiting Godot-like for development to happen. Rather, they are what is left over <u>after</u> development has occurred. Modern agriculture and the Green Revolution arrived years ago. In every direction, you can see

official "development." Cognoscenti such as myself roll down the highways of Honduras muttering, "Um, hum . . . let's see here: Peace Corps rabbits . . . CARE latrines . . . World Neighbors terraces . . . EEC farm implements . . . AID schools . . . IDB irrigation. . ." Some would say "despite 'development'," and some would say "because of 'development'"; but one way or another, these people remain permanently, deeply, and structurally poor.

Second, these people not only possess less land than did their parents' generation, they are far less rooted to place. Indeed, to ask a campesino in southern Honduras, "Where are you from?" is as natural a question as it is in, say, transient Washington. At least 2 million people have been displaced within Central America by war, fear of political violence, endemic poverty, and depletion of physical resources.[4] This unsettled tenth of the population is of course disproportionately represented among the very poorest of the rural poor.

Third, these people are not only less bound to place, they are less bound within families and stable social institutions.

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[4] Refugees magazine, March 1989, No. 62, estimates about 146,000 "official" refugees, nearly 900,000 undocumented and/or externally displaced persons, about 61,000 returnees, and nearly 872,000 internally displaced persons in Central America (figures include southern Mexico but exclude Panama). For 1989, World Refugee Survey: 1989 in Review, US Committee for Refugees, 1990, estimates 133,000 "official" refugees, 650,0000 to 1.3 million "internally displaced persons," and 200,000 to 1.1 million people living undocumented in Central America under "refugee-like circumstances." Overall, these estimates are conservative in that they probably underestimate the number of persons displaced by endemic poverty and depletion of physical resources.

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In particular, there has been enormous increase in the proportion of the absolute poor who are female[5] -- what many refer to as the "feminization of poverty." In countries such as Guatemala and El Salvador, this perverse feminization can be attributed directly to the killing and fleeing of men; in other contexts, it has more to do with the splitting of poor families over work-related migration. One way or another, the countryside is populated by "family fragments" where one used to encounter nuclear and network-like extended families.

Fourth, these people are increasingly connected to the outside world through the communications revolution and the processes of democratization. Fifteen years ago I was taught backstrap weaving in a Mayan village where I then lived; last year I was taught the lambada. As the webs of family and traditional village ties weaken, there is correspondingly greater importance to the new electronic webs and to supra-village political organization that is everywhere evolving.[6] Yet despite this churning in informantion and organization, the rural population remains powerless and disengaged as ever.

In a nutshell, these people are "modern" and "developed" -- but poorer than ever. Unfortunately, it turns out, modernization

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[5] See Sally Yudelman report on women for the Sanford Commission on Central America.

[6] For a description of many of these organizations and their developmental significance, see Sheldon Annis and Peter Hakim, eds., Direct to the Poor: Grassroots Development in Latin America (Lynne Reinner, 1988), which describes experiences of the Inter-American Foundation.

and development can have very little to do with reduction in poverty.

My fellow witnesses today might well argue that the overall worsening of conditions in Central America is primarily a result of war, debt, terms of trade, and a legacy of oppression. It cannot be laid to the failure of aid.

Of course it is true that in the absence of peace and economic policies that promote growth, no amount of aid can offset an increase in absolute poverty. But it is also fair to ask how hard and in what direction our politically oriented aid program is tipping the larger trends.

Here is where we inevitably start talking about "tradeoffs" -- between growth and equity, between deficit reduction and social programs, between export agriculture and subsistence agriculture.

For the past decade these supposedly painful tradeoffs have generally been made at the expense of the poor. So it is not surprising that the poor are now poorer than ever.

Although the evidence is not fully in, I suspect that we will see this pattern strongly illustrated as a result of AID's programmatic and policy emphasis on nontraditional agricultural exports,[7] which, as you know, has been the centerpiece of AID's overall development strategy for the region.

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[7] My colleague at the Overseas Development Council, Stuart Tucker, is currently studying this question, as are several researchers at the Land Tenure Center of the University of Wisconsin.

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It is certainly true that Costa Rica, and to a lesser extent, Guatemala, have successfully expanded nontraditional agricultural exports. But the opportunities and social benefits have hardly occurred equally across the board.

Why? Despite small-farmer rhetoric that has glossed AID documents since the mid-1980s, nontraditional agricultural export generally excludes all but large and some medium-sized producers. First, the crops are capital intensive; they require expensive agrochemical inputs, technical sophistication, and prime land. Second, they are highly dependent on foreign marketing connections, reliable transportation, and often inaccessbile storage and agroprocessing facilities. Third, though they may yield far better returns to investment than do corn and beans, they are risky beyond the tolerance level of most poor households.[8]

Where nontraditionals have succeeded, the benefits for very poor people have generally been restricted to opportunities for wage income. As it happens, the Nicaraguan refugees in Costa Rica and the widows and orphans of midwestern Guatemala have been willing to work for very low wages indeed. So in that respect the system has worked.

But on the other hand, the very poor have also paid costs: rising prices for land that shoves them aside and increases their

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[8] Despite a few well-trumpeted successes in Guatemala, such as the Cuatro Pinos cooperative and the vegetable growers of the Almolonga valley, my strong impression is that few poor communities have been able to sustain permanent transition to export-oriented nontraditional crops.

rootlessness, a corresponding de-emphasis of subsistence and small-farm agriculture, agrochemical contamination, and increased vulnerability to the exigencies of external markets.

In other areas, I believe, the poverty alleviation record of AID's Central American programs is less ambiguous. Rural education, for example, is a field in which significant progress has been made. AID can be genuinely proud of its contribution to rural school construction, teacher training, curriculum development, radio education, bilingual education, and the strengthening of ministries of education.

Similarly, in health AID can be more than proud of its record in support of primary health care in the 1970s and maternal-child health care in the 1980s. Having worked myself for several years on health programs in rural Guatemala, I can confidently say, yes, AID support has made a constructive difference. On the other hand, looking back over the past decade I fear that much overall progress in preventative health and maternal-child health care was undercut by AID's relative erosion of support for family planning and reproductive choice among rural women. This is all the more crucial because of the feminization of poverty that I mentioned earlier.

I have been asked to respond to the question: Should and could AID be more poverty-oriented in the coming decade?

Please forgive a note of cynicism in pointing out that for

25 years now, you members of Congress have been listening to testimony and then issuing directives on the need to make AID more "poverty oriented." I doubt that anyone here could keep track of the number of times that AID has already been "reformed" in this regard.

What is wrong?

At the outset of this testimony, I laid part of the blame to US politics, that the drive behind AID is not poverty alleviation in the first place.

But beyond that, there are also Central American politics to consider. Even though your instructions to AID may be pro-poor in their delivery, politics in Central America remain obdurately pro-rich. Thus, what really counts is not the will of the US Congress, but the capacity of the poor within their own political systems to raise issues and make effective claims on the allocation of resources.

Democracy is one solution. But even that is a good news/bad news scenario. The good news is that political democracy has arrived. The bad news is that the poor are still powerless.

If the political gearing of Central America is fundamentally anti-poor,[9] does this mean that AID can't be made more poverty oriented?

Not necessarily, but the pro-rich bias of Central American

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[9] For a case study of the anti-poor political bias in the best-case country, see Sheldon Annis, "Dual Debt and Wrong-Way Resource Flows in Costa Rica," Ethics and International Affairs, Volume 4, 1990.

politics certainly presents a challenge.

In addressing this challenge, some trends of the last decade potentially work in our favor -- the information revolution, democracy as an idea, and the "densification" of grassroots organizations.[10]

In thinking about how to take advantage of these trends in order to help the very poorest, I believe that AID would do well to study the evolution of thinking in institutions such as the Ford Foundation, which has been unusually creative in trying to support pro-poor political processes.

In many of its international programs, Ford has used its funds to help frame issues, create new forum for debate, train the poor to participate in politics, legitimize their voice, and connect them to decision-makers. In many instances, the Foundation has moved beyond the relatively straightforward matter of supporting nongovernmental organizations to the more complex matter of enhancing their engagement with public sectors. For example, a recent grant to the Organization for Tropical Studies in Costa Rica tries to build links between the president's office, the legislature, scientists, nongovernmental environmental organizations, and municipal officials -- and for this coming year will launch a series of local workshops with

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[10] By "densification of grassroots organizations" I refer to the general thickening of webs of organizations within civil society. Every country in Central America is witnessing the construction of increasingly complex networks of associations, federations, and confederations of poor peoples' organizations. Increasingly, these organizations are connected to each other, to the state, and to the outside world.

municipal officials, community leaders, and representatives of grassroots organizations.

Rather than think about poverty alleviation in terms of sectoral labels (i.e., health and educations programs are OK, but structural adjustment programs aren't), we should learn to think in terms of "deals to be cut." In any issue of public policy, we must first ask, "How are the poor positioned to represent their own interests in regard to critical decisions that must be made?"

To take a particularly difficult example: taxation.

As you all know, taxation is a joke in most of Central America. You members of Congress have saved the Central American elite a fortune by allowing AID to serve for so many years as the Central American Department of Health, Education, and Human Services. But that era is about over -- done in by the debt crisis and, now, the cooling of US political interest. One way or another, Central American governments will have to mobilize revenues internally in order to meet the needs of their own populations. The wealthy and the middle class will not only have to cut back on subsidies drawn from the public sector (as they have during the past decade), but they may actually have to shoulder significant tax burdens.

The inevitable debate over the equity, tradeoffs, and relative responsibility for taxation has not arrived. But it will -- and the outcome will have enormous implications for poor people. How to tax land? How to tax export? How to tax agricultural production? What should be earmarked? How to

enforce collection?

I draw your attention to this example in order to illustrate the kinds of debates that have to be waged and the "social deals" that have to be cut in the next few years. We cannot expect AID's poverty program to have much effect if the poor are systematically shut out from decision making on critical questions such as:

-- Should the state use various taxation, colonization, or land-titling schemes in order to affect the distribution of land and protect the environment?

-- Should agricultural policies emphasize incentives for export, or new incentives for subsistence? What to do about basic grains?

-- Should reforestation efforts be geared toward commercial wood production, toward stopping commercial wood production, toward promoting biological diversity, or toward promoting agriculture?

-- Should the undeveloped land be set aside for parks, or should it be opened up for agriculture? And if agriculture, by whom?

-- Should money for education go toward primary education in rural schools, or toward computer programs in universities?

--Should deregulated telecommunications sectors strive for cheap phone service to connect villages, or cheap international service to conduct modern commerce?

These are not questions to which there are right or wrong answers. Moreover, I am emphatically not saying that AID has the moralilty, wisdom, political clout to answer such questions for Central Americans.

But without the slightest doubt I can tell you that the poor will be under-represented at the table as these decisions are made; and AID will not be overstepping its bounds if it weighs in forcefully on the side of the weakest players.

In summary, yes, there is much that AID can and should do to address the worst aspects of poverty in Central America. I recommend:

First, AID should continue to build its anti-poverty programs in key areas where it is strong, experienced, and knows that significant gains can be made -- especially in rural education, health, the reproductive rights of women, and the extension of rural infrastructure.

Second, AID should continue its search for growth-oriented development strategies -- but growth that begins at the bottom of societies, not at the top. Central America needs a new kind of growth that is driven by small increments to the purchasing power of the poor, not large increments to the purchasing power of the rich.

Third, AID should systematically address the growing instability and disarticulation of rural life. War, fear of political violence, ecological destruction, and endemic poverty

have shattered the social and economic fabric of rural life. Granted, an overall regional political settlement is the first and most necessary step; but political, economic, and ecological peace must also be established at local levels. That means, first, concentrating upon the particular needs of refugees, returnees, internally displaced persons, broken communities, and family fragments; and at the same time, addressing larger rural issues of unemployment, land tenure, and environmental security.

Finally, we need to support democracy for the poor as well as for the rich. Beyond elections, we need to build the capacity of poor people to assert themselves politically and defend their interests. AID needs to help strengthen the webs of institutions and pro-poor organizations that are emerging to represent the poor and give them voice within new democracies.

Thank you.

PREPARED STATEMENT OF FREDERICK W. SCHIECK, DEPUTY ASSISTANT ADMINISTRATOR, BUREAU FOR LATIN AMERICA AND CARIBBEAN, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman, members of the Task Force, thank you for the opportunity to discuss with you A.I.D.'s strategy for U.S. foreign assistance to Central America, particularly our efforts to minimize hunger, poverty, and poor health in the region.

There have been dramatic political and economic changes in Central America. For the first time in history, all Central American countries have democratically elected governments. The region's presidents have renewed their commitment to peace and mutual interdependence in the region.

In the Declaration of Antigua last June, the Central American Presidents agreed, and I quote, that:

> "Now it falls to us to strive towards a developed Central America, one capable of meeting by itself the basic needs of each of our citizens. We see integration as the means for achieving this development, and aspire to see Central America linked to the world in a mutually productive and respectful interdependence. . . . We are advancing with a common belief in the necessity of a united Central America and a full sharing of both efforts and benefits of development by our peoples."

Clearly the Central America presidents are concerned about spurring broad-based development. In order to achieve their goals, they have realized that they must work together.

They have also realized that the best way to improve the quality of life of their low-income populations is through broad-based economic growth where job creation is emphasized. The fulfillment of democracy's promise in the region will depend largely on greater real income, prosperity, and greater access to shelter, food, health care, and education for their peoples. It is chiefly through economic growth, which leads to increased and sustained employment, that incomes will rise, enabling citizens to obtain shelter, nourishment, health care, and education.

However, Central America's economic growth suffered a serious setback in the early part of the 1980s. Export earnings fell sharply; budget deficits grew, inflationary pressures accelerated, exchange rates became overvalued, and capital fled the region. The debt crisis constrained the resources needed for growth and tested the resolve of nearly every government in the region. Despite modest economic recovery since the mid 1980s, only Costa Rica has come close to recovering its pre-crisis level of per capita income.

As a result, a regional consensus has emerged that a more outward-oriented economic strategy is essential to sustained, broad-based development. Private sector leaders who once lobbied for the revival of a protected regional market are now turning their energies to exporting new products to new markets outside the region. Governments are beginning to lower tariffs, eliminate restrictions on foreign investment, and take other important measures to liberalize their economies.

The economic transformation under way in the region has the potential to be as profound as the political transition of the 1980s. It is the kind of transformation that will foster diversified trade and investment, generate employment, and improve prosperity for all, especially poor people.

Progress under the Central America Initiative

The Central American Initiative, launched in 1984, was a comprehensive effort by the U.S. Government to help the Central American countries to restore long-term political and economic progress. Much has been achieved.

The economic hemorrhage of the early 1980s has been stemmed and positive economic growth restored. Excluding Panama and Nicaragua, the region has achieved positive real annual per capita growth each year since 1987. Outward-looking economic policies are now in place that promise sustainable growth.

With substantial aid from the United States and other donors, most countries have been able to improve social indicators. Over 1.8 million more people now have access to potable water. Infant mortality rates have fallen and immunization coverage and the use of oral rehydration therapy have expanded. An additional 400,000 children are attending primary schools, producing modest gains in primary school coverage and completion rates. Access to family planning services is increasing through private and public sector programs.

The Fragility of Progress to Date

While much has been accomplished to achieve peace, democracy, and economic recovery in Central America, much remains to be done. The foundation for progress must be made permanent. More than anything else, what is needed now is the continued nurturing of the institutions of economic and political freedom to deepen their roots.

Serious challenges remain. Continuing internal strife in El Salvador and Nicaragua is evidence of the fragility of democratic principles. While elections have been held, many democratic institutions are weak, particularly at the local level. Poverty and health care problems persist. Although most countries are managing their economies better, they still need assistance to sustain their adjustment programs.

Moreover, continued poor world markets for Central American products, unresolved external debt problems, high population growth rates, and environmental degradation will complicate the economic management problems of the region's leaders.

The Needs of the 1990s

There is now a widespread recognition throughout Central America, and in developing countries generally, that small countries, especially, must adopt more open economic policies if they are to achieve rapid, sustainable economic growth. There is also a greater awareness that accelerated economic growth is essential to poverty alleviation.

Economic growth, however, does not guarantee rapid poverty alleviation. Substantial growth requires participation by all levels of society.

Reform of the policy environment, while critical to achieving vigorous economic growth, must be accompanied by programs which address: basic education, primary health care, development, infrastructure, market information and linkages, technology development and transfer, financial markets, and management and vocational skills.

During the 1990s, the Central American public and private sectors must improve the efficiency of free market activities and social service delivery systems; create more sustainable and less donor-dependent social programs; and develop domestic funding sources to support and further expand public services and economic infrastructure.

In addition to stimulating private sector trade and investment through regional and bilateral policies and programs, A.I.D. will continue to encourage greater opportunities for increased participation in the economy by the disadvantaged.

Specifically, A.I.D. will encourage:

-- broader participation in income-generating activities by segments of the population previously isolated from the economic system;

-- improved access to primary health services, including increased child survival, nutrition and family planning programs;

-- increased access to primary education for the school-aged population and improved efficiency of the educational system; and

-- greater access to adequate shelter and related basic services such as potable water and electricity.

CSAP/CASA

Of specific interest to this Committee is the impact on the region of the Children's Survival Assistance Program (CSAP) and its successor, the Central American Survival Assistance Program (CASA). Mr. Chairman, we acknowledge your support for this program and are pleased with its success in addressing some of the emergency needs resulting from civil strife. Rehabilitation, primary health care, and reintegration programs have been and continue to be very effective. Attached for the record is a table detailing all CSAP/CASA allocations -- countries and organizations which received the money, how many people were served, who benefited, and what has actually been accomplished to date.

As the civil strife in the region diminishes, however, we need to focus on longer-term programs for attacking continuing health problems. Programs which strengthen institutional capacities to carry out immunization, oral rehydration therapy, acute respiratory infection control, and water sanitation activities will be supported. In addition, we will focus on efforts to strengthen health financing, health management, and health sector policies in order to ensure a broad and significant impact on growth and development.

Supplemental Appropriation

Funding from last fiscal year's supplemental appropriation for Nicaragua and Panama is addressing the worst aspects of hunger, poverty, and poor health in these countries.

Nicaragua

In Nicaragua, $47 million is being provided from the supplemental for the repatriation of former members of the resistance and refugees. Prior to the supplemental, A.I.D. provided $3.8 million in emergency medicines, medical supplies to cope with a measles epidemic and other medical and social services. In FY 1990, A.I.D. provided $8 million for health-related programs under the supplemental program. This includes $1.5 million for emergency medicines, $2.5 million to provide assistance in reactivating basic services at four regional hospitals, and about $4 million in PVO co-financing for primary health care in rural areas.

For FY 1991, A.I.D. plans to provide another $8 million on health-related programs. This includes $5 million to extend family planning services throughout the country, $1.1 million to assist the Ministry of Health in increasing immunizations to cover at least 80% of Nicaraguan children, and about $2 million for additional primary health projects in rural areas.

Also in Nicaragua, an additional $32.9 million from the supplemental appropriation was allocated in FY 1990 for other programs directly benefiting the poor. These include: $12.2 million to fund the production, purchase, and delivery of new textbooks to schools where books were almost completely lacking; $10 million for employment generation activities; $1.7 million for vocational training; and $9.0 million in additional financing for a variety of PVO-sponsored activities.

In FY 1991, A.I.D. plans to provide an additional $21 million for programs which directly benefit the poor. These will include: $10 million to continue employment generation activities; $5 million more for PVO programs; and $6 million to support farmer association programs to help improve production and marketing.

In early FY 1990, apart from the supplemental, A.I.D. approved $17.8 million for a Food for Progress program which will finance the import of agricultural products such as wheat, oil, tallow, and corn.

CARE has recently begun a food-for-work program which will create 6,500 temporary jobs in Managua under a P.L. 480 Title II program. The Adventist Development and Relief Agency received a $1.6 million grant and Title II commodities to provide primary health care and supplementary food to approximately 16,000 families (80,000 persons) who were victims of the war.

Panama

Prior to the prolonged economic decline, which began in late 1987, Panama was one of most developed countries in the region. Its per capita income was the highest in the region, and indicators for life expectancy, infant mortality, and literacy approached those of Costa Rica.

Between 1987 and 1989, however, per capita income fell by 20 percent and the urban unemployment rate rose from 14 percent to 30 percent. In addition, the deterioration in economic conditions adversely affected the quality, effectiveness, and coverage of Panama's social service infrastructure.

Under A.I.D.'s $42.6 million emergency recovery program authorized by Congress in February 1990, $7 million was provided to create temporary employment under an emergency public works program; $5 million was used to set up a credit program to help small businesses looted in the aftermath of Operation Just Cause; and over $20 million was designated for replacement housing for the families from the El Chorrillo area of Panama City which lost their homes last December.

The first and foremost impact of the Panama assistance program under the supplemental appropriation on the country's poor has been to help reverse the steady decrease in unemployment since 1987. The second major benefit for the country's low-income population has been the reversal of downward trends in public sector investment and increases in private sector investment.

The $420 million supplemental package appropriately focuses primarily on the reactivation of productive sectors. This will help increase employment and allow the Government of Panama to increase investment in productive and social sector infrastructure. As a result, the Government of Panama should be able to resume previous levels of services which benefit the poor. The supplemental package will also focus on administration of justice, democratic initiatives, and reforms of the public sector, which will also help Panama restore its basic services to previous levels.

For instance, vehicles, spare parts and medical supplies have been purchased for the Ministry of Health. In addition, $113.9 million from the supplemental package is being used to increase Panama's own investment budget. Of this amount, $6.3 million, representing 8.9 percent of the public sector investment budget, is being used to repair and construct hospitals and health centers in different regions of the country, as well as to purchase health equipment. The health sector will receive additional funding from the remaining A.I.D. funds in FY 1991.

Also in FY 1991, A.I.D. is allocating $20 million to help Panama establish a special Social Emergency Fund to finance health, agriculture, education, and local community development projects.

Conclusion

Mr. Chairman, I appreciate this Committee's interest in our programs which address the problems of hunger, poverty, and poor health in the region. We look forward to continuing to work with this Committee as we assist our Central American neighbors to achieve lasting progress over the next decade.

Mr. Chairman, I will be glad to answer any questions that you or other members of this Committee may have. Thank you.

FY 90 CSAP/CASA FUNDS

Country	Project/Purpose	Funding	Date of Obligation/ PACD	Beneficiaries LOP Target	Beneficiaries Progress to Date	Accomplishments
Honduras	Pan American Development Foundation (PADF) (Grant) Project provides orthopedic and plastic/reconstructive surgery to elegible victims of CA civil strife.	$520,000 (CASA Amendment only)	5/1/90/ 2/28/91 (proposed)	240 people	267 persons treated (9/20/90)	The project has exceeded output targets; PADF estimates that it will assist 340 beneficiaries by PACD versus the 240 planned. PADF is now able to treat patients at a cost well below previous costs. This has resulted in considerable savings; mission will extend PACD to permit PADF to treat an additional 118 beneficiaries. The project identifies beneficiaries along the border areas affected by the civil confict. Project facilities are located near Tegucigalpa.
	World Rehabilitation Fund, Inc. (WRF) (Grant) Project provides rehabilation services to eligible victims of CA civil strife.	$1,280,000 (CASA Amendment only)	5/1/90/ 2/28/92	1,000 people	415 persons treated (9/20/90)	To date the project has treated 415 beneficiaries, almost half of the LOP target with only 42% of time elapsed. WRF is working towards goal of establishing a financially self-sufficient, indigenous rehabilatation organization, as a means of insuring availability of rehab services for CASA eligible patients beyond the PACD. The project identifies beneficiaries along the border areas affected by the civil confict. Project facilities are located in Tegucigalpa.

Country	Project/Purpose	Funding	Date of Obligation/ PACD	Beneficiaries LOP Target	Beneficiaries Progress to Date	Accomplishments
Nicaragua	Adventist Development & Relief Agency (ADRA) (Grant) Project provides primary health care (PHC) and supplementary food to approximately 16,000 families, primarily in rural communities hard hit by the civil strife.	$1,600,000	4/25/90/ 4/25/91	80,000 people	55,000 persons with PHC and clothing; 35,000 of these receiving supplementary food and growth monitoring (80% children)	ADRA has surveyed 55,000 persons out of the 120,000 anticipated beneficiaries. These persons are receiving PHC services in 185 remote communities in Region 1 (northern Nicaragua, near the Honduras border). ADRA has started training 370 community volunteers in hygiene, growth monitoring, disease treatment, and prevention, and food distribution. An addtional 230,000 persons have received emergency food rations in Managua and Porta Cabeca.
Nicaragua	Pan American Development Foundation (PADF) Project provides quality surgical and intermediate care to Nicaraguan non-combatant victims.	$1,400,000	4/25/90/ 4/25/91	500 people	341 registered cases 298 beneficiaries treated (10/31/90)	The project is surpassing its monthly target of 50 cases a month through a surgical program with pre-operative and post-operative care at La Trinidad hospital, lacated in North East Nicaragua close to the Honduran border and a major area of conflict. In October 1990 84 new eligible persons were provided surgical/ procedures. Two identification teams are covering the country to identify potential beneficiaries. PADF and WRF are coordinating efforts on cases needing both surgery and rehabilitation.
	World Rehabilitation Fund, Inc. (WRF) (Grant)	$1,000,000	4/25/90/ 4/25/91	750 people	462 persons (10/31/90)	Up to 750 patients will be treated at a rate of 75 a month. Up to 300 of these are to be served under the

Country	Project/Purpose	Funding	Date of Obligation/ PACD	Beneficiaries LOP Target	Beneficiaries Progress to Date	Accomplishments
Nicaragua	WRF (continued) Project is developing a rehabilation program to provide services for Nicaraguan non-combatants.					prostetic/orthotic component. To date 338 persons have been seen for physical therapy; 66 received orthotic/prostetic devises; 48 received social services (a combination of physical therapy and social services). 54% of the population served is in the 1-20 age group. Of the first 300 served, 162 are 20 yrs. or younger. Both rural and urban populations are served at the La Trinidad hospital, located in North East Nicaragua, an area which suffered in the civil strife. 40% of the targetted area (i.e. entire country) has been covered by the detection teams. A full complement of staff have been hired and the facilities in La Trinidad have been renovated. Interaction with other CASA grantees and other agencies is excellent.
El Salvador	Health and Jobs for Displaced Persons (519-0281); International Rescue Committee (IRC) Grant Project is to stimulate and facilitate the re-integration of displaced persons into	$1,550,000 (CASA Amend- only)	11/28/90/ 4/30/91 (12/91 proposed)	800 displaced families	0 to date (with new Amendment)	The overall project continues to address the special needs of some 125,000 individuals by providing food, agricultural and building supplies, medical assistance and training to enable them to reistablish their homes and earn an adequate

Country	Project/Purpose	Funding	Date of Obligation/ PACD	Beneficiaries IOP Target	Beneficiaries Progress to Date	Accomplishments
El Salvador	Health and Jobs (continued)					
	the economy of El Salvador, with particular emphasis on assistance to the permanent resettlement of displaced persons.					income. IRC continues to be responsible for the social and economic re-integration of 1,429 displaced families through assistance program in returned (place of origin) and permanent relocation sites. The CASA funds, added to the IRC grant will enable them to serve an additional 800 families. These families are located in various conflicted areas throughout the Eastern part of the country.
	Children's Survival Assistance Program Central America Survival Assistance Program (CASA)	Total Authorized:		$17.7M of which $ 7.350M		
	CSAP			$10.350M		

Note: Costa Rica and Guatemala did not receive any CASA funds.

Costa Rica was considered a lower priority for funding since the persons affected by the civil strife in the sub-region were being effectively absorbed into the system of Costa Rica, whose well-developed social security and public health care services are responding to their needs. Guatemala was not directly affected by the Salvadoran or Nicaraguan conflict, and, thus, was not considered a priority for these funds.

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A.I.D. P.L. 480 Obligations
Latin America and the Caribbean

	FY 1990 ACTUALS			FY 1991 ESTIMATE			
PROGRAM	Title I	Title II	Total	Title I*	Title II	Title III	Total
COSTA RICA	0	207	207	15,000	0	0	15,000
EL SALVADOR	40,200	6,808	47,008	35,000	4,981	0	39,981
GUATEMALA	18,000	8,490	26,490	0	8,668	0	8,668
HONDURAS	12,000	5,376	17,376	0	6,240	12,000	18,240
NICARAGUA	15,100	2,753	17,853	0	2,525	0	2,525
PANAMA	0	224	224	0	0	0	0
ROCAP	0	0	0	0	0	0	0
CA SUBTOTAL	85,300	23,858	109,158	50,000	22,414	12,000	84,414
BELIZE	0	0	0	0	0	0	0
DOMINICAN REPUBLIC	14,600	5,026	19,626	0	4,611	0	4,611
GUYANA	6,100	0	6,100	7,000	0	0	7,000
HAITI	0	16,016	16,016	0	7,626	20,000	27,626
JAMAICA	40,000	4,202	44,202	30,000	3,600	0	33,600
CARIBBEAN REGIONAL	0	0	0	0	0	0	0
CAR SUBTOTAL	60,700	25,244	85,944	37,000	15,837	20,000	72,837
BOLIVIA	20,000	13,832	33,832	0	12,512	20,000	32,512
BRAZIL	0	1,146	1,146	0	0	0	0
CHILE	0	0	0	0	0	0	0
COLOMBIA	0	178	178	0	0	0	0
ECUADOR	0	335	335	0	0	0	0
MEXICO	0	2,829	2,829	0	0	0	0
PERU	20,000	30,839	50,839	0	28,985	22,000	50,985
SA SUBTOTAL	40,000	49,159	89,159	0	41,497	42,000	83,497
TOTAL	186,000	98,261	284,261	87,000	79,748	74,000	240,748

** For FY 1991, Title I is managed by USDA as of 1/1/91. Those amounts that were obligated prior to 1/1/91 were managed by A.I.D. A.I.D. obligated funds in Costa Rica, El Salvador, Guyana, and Jamaica.*

A.I.D. 2/15/91

PREPARED STATEMENT OF PETER F. ROMERO, DIRECTOR, CENTRAL AMERICAN AFFAIRS, BUREAU OF INTER-AMERICAN AFFAIRS, U.S. STATE DEPARTMENT

Mr. Chairman and Members of the Committee:

I am pleased to have the opportunity to discuss the efforts being made by the United States government in coordination with Central American governments in alleviating the worst aspects of hunger, poverty and poor health in the Region.

Central America has been for the last decade beset by political, social and economic upheaval. These travails have had a direct effect on the region's economies. However, with free elections in Nicaragua, a democratic government installed, the demobilization of Resistance forces and peace Nicaraguans now have hope for a better future. With peace talks underway in El Salvador and Guatemala the prospects are better than ever for an end to those bitter 10 and 30-year conflicts. Central America has entered into a new democratic era. Central Americans yearn for the day that their region will no longer be torn by divisive conflict. Central Americans still face a different battle - a struggle to maintain and generate economic development that provides each citizen with the personal wherewithal to have their basic needs met. While past conflicts were in part fueled by underdevelopment, they in turn exacerbated the ability of Central Americans to bring their full efforts to bear on basic economic development problems. Fighting to maintain and guarantee the survival of democratic societies unfortunately left few resources, either human or financial, to apply toward resolving these fundamental shortcomings in Central America.

Clearly, democratic institutions have taken root in Central America, but these are being strained by economic crises. The transition from authoritarian rule and internal conflict to democratic rule has generated heightened expectations for improved economic and political conditions.

To meet these challenges the Presidents of the republics of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, meeting in Antigua, Guatemala in June 1990 reaffirmed the joint declarations of the Esquipulas I and II meetings in which it was noted that "it is not possible to achieve peace without development." These leaders fully recognize that poverty is an

act of human neglect that they must vigorously confront. The creation of a new Central America economic community, the presidents noted, "will not leave anyone behind."

Recently, Deputy Secretary of State Lawrence S. Eagleburger at the opening session of the meeting on a new plan called the Partnership for Democracy and Development (PDD) in Central America, observed that the Isthmian nations are changing policy directions to respond to a deeply felt internal need to move away from the unsuccessful political and economic models of the past. While democracy is key to development in Central America, it will not have the opportunity to succeed unless it enjoys a breathing space of social and economic stability. Crucial to the establishment and maintenance of this stability is a population protected against the physical and mental ravages of hunger, disease and poverty.

The Partnership for Development and Democracy concept was first raised by Secretary Baker with the Central American Presidents last June as a means of supporting the goals they had enumerated at their Summit Antigua: viable democracy, sustainable economic development and regional disarmament. The Partnership, which builds on the Esquipulas Peace Process, is designed to focus the world's attention on the importance and on the needs of the region and to provide an international forum for expanding information and achieving better coordination of individual assistance efforts. It would not substitute for any ongoing assistance programs, nor would it straitjacket such efforts in any way. Rather, through periodic meetings and possible association with a regional consultative group, it could provide a means of learning, discussing, and comparing notes on political and economic development efforts in Central America, and thus make such efforts more cost effective.

President Bush has strongly underscored U.S. interest in the economic development of Latin America by announcing his intentions to launch the Enterprise for the Americas Initiative. The Initiative provides a framework for addressing the economic and financial needs of the Hemisphere. These needs are addressed through the three pillars of trade, investment and debt relief. The Enterprise for the Americas Initiative holds particular promise for Central America. The reduction of official bilateral debt owed the United States will produce proportionally greater benefits for Central American countries. The proposal aims at attracting private foreign capital and emphasizing the kinds of economic reform that will result in stemming the flight of capital and repatriating that which has been kept outside these domestic countries.

The President's Initiative calls for the development of agreements on trade and investment and movement toward a Hemisphere-wide free trade zone. A multilateral investment fund to be established in the Inter-American Development Bank would be available to concentrate its resources on countries where it could have a major impact, such as in Central America.

The projected impact of our current policy initiatives is to encourage and support policy reforms and programs that will assist development. As you well know development is not just a new set of numbers and indicators of growth, it also must be measured in human terms. Throughout the turmoil in Central America the United States government has always sought to reach down to the bedrock of the region and help those whose lives were disrupted and threatened by not only conflicts, but equally by the specters of hunger and disease.

It is well to highlight that more than 80 percent of the US funds spent in Central America during the past decade were for economic development purposes. The concern that successive administrations have had over the political turmoil has never overshadowed our government's fundamental interest in alleviating basic needs of the regions poorest inhabitants. While Mr. Schieck of the United States Agency for International Development will undoubtedly provide you with a more detailed readout of our efforts, I would like to discuss our policy objectives.

Food aid has been a key policy tool in feeding those in real need and maintaining levels of nutrition that could not have been maintained without such aid. Apart from the humanitarian concerns, an adequate supply of foodstuffs is an essential determinant of economic and political stability. We have seen what popular discontent from rising food prices or non-availability of food items have wrought in Argentina and Venezuela, in our own hemisphere, and are painfully aware of its effects on populations elsewhere. The US food aid program supports both strategic and humanitarian interests in providing assistance, and supporting economic stabilization in order to enable the countries in the region to become stable and self-sufficient in providing for the basic needs of their people. The utilization of PL 480 aid, both Title I and II, has provided needed food and balance of payments support. Local currency generated by the sale of Title I commodities is used to finance priority development activities, such as rural electrification, irrigation, agricultural credit and potable water systems. The goals of Title II programs is to improve the nutritional status of children under six years of age, and pregnant and lactating women as well as restore basic community infrastructure. Our assistance has also been employed in health, nutrition, population and child survival programs as Mr. Schieck will explain.

The governments of the region have all undertaken concerted steps to encourage domestic agricultural production. The Government of Nicaragua has committed itself to liberalize trade by specifying that private licensing will extend to the import of fertilizer and the export of coffee, cotton, sesame and food grain, thus reducing control over these elements of the government private sector. We believe that these crops hold considerable potential for domestic consumption and export development and we regard their liberalization as one of our highest priorities, followed by the privatization of slaughterhouses/meat packing plants.

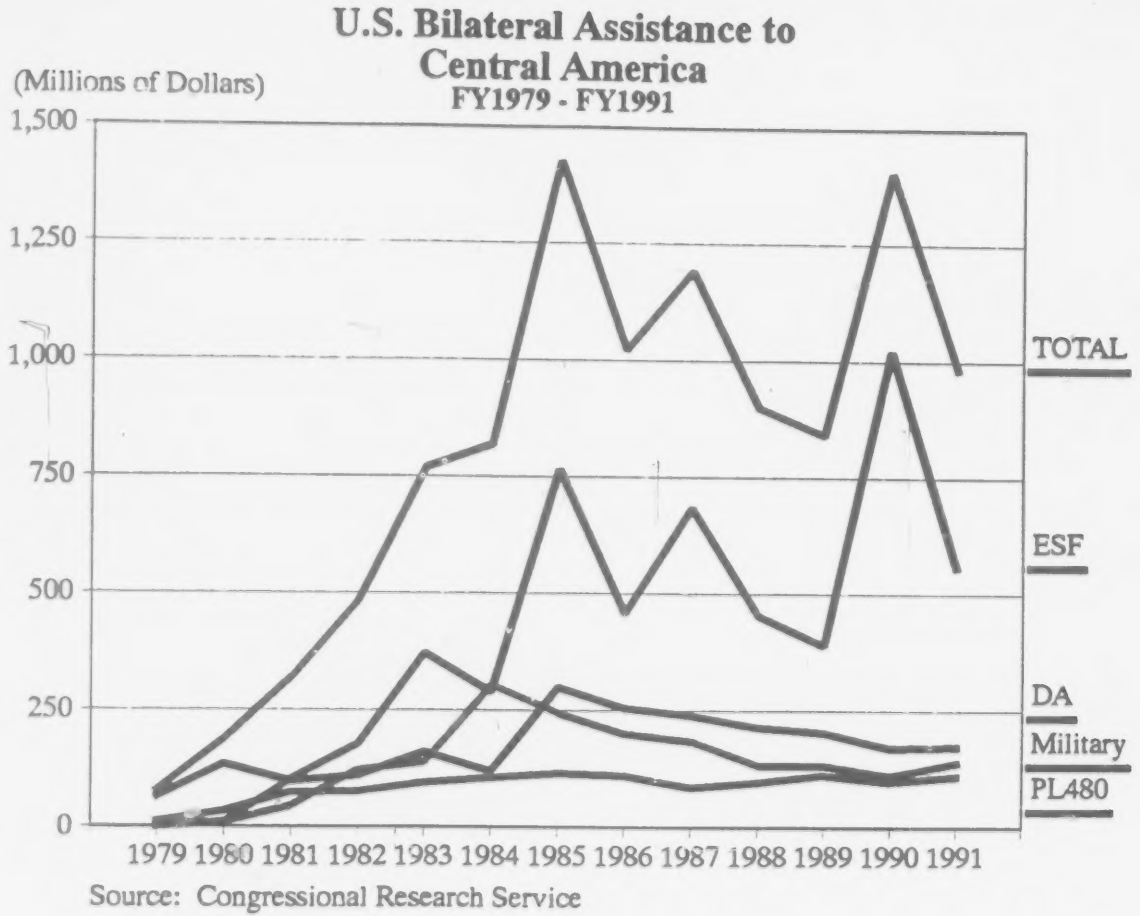
In El Salvador when the Cristiani administration assumed office in mid-1989, it began implementing comprehensive free market reform measures to overcome serious fiscal and balance of payment problems caused by years of government regulation and mismanagement of the country's export and production sectors. The government removed price controls on most goods, lowered import duties, and abolished the monopoly buying and export authority of the national coffee, sugar and cotton institutes. The self-help measure included in the FY-90 P.L. 480 agreement (about $40 million in FY-90) encouraged these reforms. Measures include the distribution of land to campesinos and small farmers, improvements from farm to market roads, and development of a natural resources management plan.

In Costa Rica, Guatemala and Honduras government de-regulation of the agricultural sector is also beginning to have salutory effects on production. With food aid, we are working to remove the twin specters of hunger and conflict, both of which dim the chances for lasting peace and democracy in Central America.

U.S. Bilateral Assistance to Central America
FY1979 - FY1991
(Millions of Dollars)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	TOTALS
DA	64	134	99	112	162	120	300	255	240	215	204	170	173	2,248
ESF	0	10	102	177	373	290	767	458	684	455	390	1,024	560	5,290
PL480	9	34	74	75	96	105	116	111	85	97	113	99	111	1,125
Military	4	10	45	121	138	304	245	200	184	133	133	111	139	1,767
TOTAL	77	188	320	485	769	819	1,428	1,024	1,193	900	840	1,404	983	10,430

Source: Congressional Research Service



Source: Congressional Research Service

PREPARED STATEMENT OF PATRICIA M. GARRETT, FRANK PORTER GRAHAM CHILD DEVELOPMENT CENTER, UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL, CHAPEL HILL, NC, CONSULTANT TO WORLD REHABILITATION FUND, INC., NEW YORK, NY

The World Rehabilitation Fund was founded in 1955 by Howard A. Rusk, M.D., who is widely acknowledged to be the "father" of rehabilitation medicine. During World War II, Dr. Rusk established a program to treat soldiers who had been injured during the war. He developed a team approach and focused on treating the whole person, addressing physical, emotional, vocational, and social needs. After the war, he adapted this approach to the civilian population and developed a comprehensive, multidisciplinary approach to training practitioners and delivering rehabilitation services. He adapted these same principles to other countries, working to train professionals and develop services, especially in countries affected by war.

The World Rehabilitation Fund is the international extension of the pioneering programs originally developed by Dr. Rusk at the institute which currently bears his name, the Rusk Institute of Rehabilitation Medicine at the New York University Medical Center. The World Fund is a nonprofit organization, registered in New York, whose mission is to improve the quality of life for all persons with impairments, especially those in developing nations by:

assisting governmental and voluntary agencies to establish, improve, and/or expand rehabilitation services for the disabled;

providing technical assistance, training, exchange of experts, and information.

Since 1955, the World Rehabilitation Fund has established facilities, trained personnel and/or provided equipment and technical assistance in 153 countries, territories or commonwealths. It has conducted 39 international or regional brace and limb making training programs in 10 countries, graduating some 1300 specialists who have individually fitted over four million limbs and braces. The World Fund has created or helped to equip and staff more than 360 artificial limb and brace workshops worldwide. It established a Regional Training Center in Prosthetics and Orthotics in the Dominican Republic which trains Latin Americans in the manufacture of artificial

limbs and braces. The Fund has trained physicians and other health care practitioners, sponsored in the International Exchange of Experts and Information in Rehabilitation Program, and run specialized training programs in community based rehabilitation. It helped establish the first graduate level degree programs in rehabilitation in universities in the Middle East, South America, Southeast Asia, and the Pacific. Currently, the Fund is active in places as diverse as Armenia, Lebanon, India, Korea, and the Dominican Republic.

Through its core staff of specialists and its vast network of experts, the World Rehabilitation Fund offers technical assistance related to: the evaluation of individual, regional, or national rehabilitation programs; the operation and management of rehabilitation facilities; the development of curricula and the acquisition of appropriate materials; the design of new facilities and removal of existing architectural barriers; the establishment and implementation of national and international standards for rehabilitation facilities and personnel; and the development and implementation of public policies regarding rehabilitation.

The World Rehabilitation Fund brings considerable international experience to its current efforts in Honduras and Nicaragua. The Fund began to work in Honduras in May, 1988 with a grant from the Children's Survival Assistance Program (CSAP). The mandate was to develop a comprehensive rehabilitation center and to deliver services so that each patient achieves the highest physical, mental, social, educational/vocational competence possible. A multi-disciplinary team provides services at no cost to eligible civilians. A factory which manufactures international-quality artificial limbs, braces, and orthopedic shoes is an integral component of the service delivery program.

The Fund's initial involvement in Honduras was in response to an emergency need identified by the Congress and implemented by AID. It was expected to be short term. Nevertheless, it became clear that indigenous capacity to deliver rehabilitation services needed to be strengthened. The current grant (May 1990 through April 1992) emphasizes institution building and the Honduranization of the program.

The program of service delivery/institutionalization in Honduras has three principal components: training, community based rehabilitation, and manufacturing. With regard to training, the WRF:

teaches a course designed to cover basic principles of rehabilitation. Students include WRF/H project staff plus selected individuals from the Honduran rehabilitation community;

provides university students with opportunities for supervised research and practicum experiences. It collaborates with university professors in an effort to increase rehabilitation-relevant research and recruit the most capable

students into the field;

conducts outreach and education programs for citizens in the predominantly-rural communities served by the project

With regard to community-based rehabilitation, the WRF:

trains local health promoters to identify those who should be screened for rehabilitation services;

sends multi-disciplinary teams to evaluate potential patients;

admits eligible patients to the WRF program and refers all others to appropriate programs;

provides all services that individuals need including, as appropriate, housing, medicine, social work, counseling, physical therapy, occupational therapy, and prosthetic/orthotic devices;

works with patients and their families to continue the treatment plan and foster community reintegration;

coordinates with existing programs to provide vocational rehabilitation;

evaluates the effectiveness of each service delivery department in terms of meeting the specific goals established for each patient.

In terms of manufacturing devices, the WRF:

equipped a factory and trained Honduran technicians to manufacture international-quality artificial limbs, braces, orthopedic shoes, and other devices (e.g. canes);

meets the needs of WRF programs in Honduras and Nicaragua, serves part of the domestic market in Honduras, and explores the potential to market its products throughout Central America.

The new program in Nicaragua began last spring. It is fully operational and has already had to expand the capacity of the residence that patients use when they relocate to receive services at La Trinidad. In both countries, the World Rehabilitation Fund is committed to the nationalization of the programs. Accordingly, it emphasizes the in-service training of staff to assume all positions within the emerging national organization. Complementary emphasis is on sustainability with efforts to generate multiple sources of funding so that, when the current AID grant ends, services can continue to be provided at no or moderate cost to civilians who have suffered because of the civil conflicts in Central America.

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